ISSUES AND OPPORTUNITIES IN THE WESTERN HEMISPHERE

HEARING

BEFORE THE

SUBCOMMITTEE ON
THE WESTERN HEMISPHERE

OF THE

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ISSUES AND OPPORTUNITIES IN THE WESTERN HEMISPHERE

TUESDAY, FEBRUARY 28, 2017

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE WESTERN HEMISPHERE,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:00 p.m., in room 2200 Rayburn House Office Building, Hon. Jeff Duncan (chairman of the subcommittee) presiding.

Mr. DUNCAN. A quorum being present, the subcommittee will come to order. I would now like to recognize myself for an opening statement.

I would like to begin by extending a warm welcome to the returning members on the subcommittee. Over the years this subcommittee has been fortunate to operate in a bipartisan fashion and I look forward to continuing the work that we have done and working hand in hand with my good friend, the gentleman from New Jersey, our ranking member, Albio Sires, and all the members of the subcommittee, as the new Trump administration begins to lay out their policy priorities for the Western Hemisphere. I look forward to seeing what those priorities are.

I'd now like to introduce the new members. They are not here but I'll go ahead and read their names and hopefully they will trickle in after votes, this is the way it goes sometimes.

We have got Mr. Mo Brooks from Alabama, Mr. Francis Rooney of Florida, Ms. Norma Torres of California and Mr. Adriano Espaillat of New York.

They each have their own unique background and experiences and we look forward to them being strong contributors to our work during this 115th Congress.

Today's hearing should provide subcommittee members with a comprehensive look at the lay of the land in the Western Hemisphere, give us some food for thought as the new Trump administration begins to reveal their priorities for 2017.

I am particularly interested in what our witnesses think that policy priorities should be in Cuba and Venezuela, and in places that continue to receive large amounts of U.S. taxpayer funding like Colombia, Haiti, and the Northern Triangle in Central America.

Clearly, the administration will need to work on a bilateral relationship with Mexico, but the United States is certainly right to seek to enforce our borders and protect our precious sovereignty. I

thank today's distinguished panel of witnesses for being here and sharing their thoughts and insights with us. Many of them have testified before our committee before and I welcome them back.

In my opinion, the prior administration did little to advance U.S. interests in this hemisphere, and, in fact, did harm to traditional U.S. policies of standing up for human rights, and the rule of law under repressive regimes that currently plague countries like Cuba and Venezuela.

In Cuba, the Obama administration gave the Castros pretty much everything they wanted without asking Congress to remove the embargo as required by U.S. law.

Furthermore, the Obama administration didn't even insist upon the most basic human rights protections as political dissidents were rounded up, beaten, and jailed in record numbers. And in their Cuba policy shift, the all-important issue of resolving the thousands of property rights claims were barely even mentioned.

The pain and suffering that the Chavez-Maduro regime inflicted upon Venezuela has been well documented, and our hearts go out to the Venezuelan people who deserve so much more than hyper-inflation, rolling blackouts, widespread shortages of medicine and, literally, scrounging for food every day just to survive. Recent reports of canines and flamingoes and other animals being slaughtered for food is disheartening and our thoughts and prayers go out to the folks in Venezuela.

I was encouraged by early signs from the new administration last week, including the decision to slap sanctions on the new Venezuelan Vice President for his participation in drug trafficking, and President Trump's taking of an impromptu meeting with Lilian Lopez, the wife of wrongfully jailed opposition leader Leopoldo Lopez.

We also had the opportunity to meet with her as well and Leopoldo Lopez remains in our thoughts and prayers.

Under my chairmanship this subcommittee has traveled extensively in the region. I intend to continue to do my part in this session of Congress to advance our interests in the hemisphere.

It has been said that our region does not get the attention that it deserves. In fact, when Secretary Kerry made his famous speech at the OAS in November 2013 that the era of the Monroe Doctrine is over, the administration admitted as much.

But I would maintain that because of our region being largely peaceful, the lack of major wars for several years, a healthy flow of trade and commerce, and an abundance of common heritage and religious beliefs, these are things to be celebrated and built upon rather than overlooked.

Of course, that is not to say that we don't have much work to do. The important task of finishing Plan Colombia by making Peace Colombia work going forward will surely present many challenges to U.S and Colombian policy makers, but is work in which both our countries have invested much blood and treasure so as to successfully turn that country around. As a result, they remain our best ally in the hemisphere.

In Haiti, it has now been more than 7 years since the devastating earthquake that resulted in so much damage and loss of life. Much progress has been made thanks to the generosity of U.S.

taxpayers and many other international donors, but there is still much work to be done there. It certainly didn't help that they were hit by Hurricane Matthew last fall and experienced another uptick in cases of cholera.

Like many regional observers, nearly 14 months after the elections began, I was hopeful when Haiti finally democratically elected a new President and a Congress. We at least now have a government partner to work with going forward, and I plan to do my part in keeping a healthy dialogue open when I meet with the new President sometime later this year.

Obviously, all this is not to say the hemisphere doesn't still suffer from the seemingly intractable problems of drug trafficking, transnational gains in criminal organizations, corruption, poverty, and lack of opportunity for many.

We have been experiencing the results of these problems first hand with the continual wave of illegal immigration, especially of unaccompanied minors from the Northern Triangle in Central America coming to our southern border every day. I support the Trump administration and stand with those who believe we must enforce our borders and protect our sovereignty. As Ronald Reagan said, "If we do not we are not a country at all." We are a kind and generous nation but we cannot become the orphanage to the world.

When I assumed the chairmanship of this subcommittee I pointed out in our first hearing that I have three simple priorities and I'll restate those for this Congress: Create jobs for the American people, promote U.S. energy security and U.S. exports, and return to the wisdom of our Founding Fathers. That's an acronym—jobs, energy, Founding Fathers—that spell JEFF and I think JEFF is a winning message.

It is through that prism that I'll continue to view the issues and priorities that we will focus on going forward. The Western Hemisphere presents abundant opportunities for success in all of these areas for the United States as well as for our allies here in the hemisphere.

With that, I will turn to the ranking member, Mr. Sires, for his opening statement, and I will restate again that I have enjoyed our work together and I look forward to working with you again and so I yield with you.

Mr. SIRES. I just want to start by saying thank you, and I had nothing to do with Mr. Meeks going down below.

[Laughter.]

Good afternoon and thank you, Mr. Chairman, for holding this hearing. I'd like to start by welcoming everyone to our first hearing of the 115th Congress and give a special welcome to the new members of our subcommittee.

I look forward to working with all of you in the new Congress. I am grateful to be back as ranking member of this subcommittee once again and serving alongside our chairman and my friend from South Carolina, Jeff Duncan.

Many countries in the Western Hemisphere are at a crossroad. Throughout the region, the anti-corruption wave has taken hold and we have seen indictments, arrests, and resignations as a result. While these revelations have caused a stir in the region, they

have also created the opportunities to bring real and lasting change to these institutions long in need of reform.

In the Northern Triangle, efforts are underway to strengthen to rule of law and address human rights concerns. Though Brazilian officials are facing accusations of bribery, Brazilian people are insisting their government uses democratic institutions to hold them accountable.

Partners like Argentina are taking steps to reform their economies and play a larger role addressing regional challenges. That is why I am proud to sponsor H. Res. 54, reaffirming our strong relation with the Argentine people and commending the government of President Macri for his economic reform and commitment to holding the perpetrators of the 1994 AMIA bombing accountable.

Additionally, our friends in Colombia signed a peace agreement with the FARC, taking the first steps in ending a 52-year-long war that has claimed the lives of over 200,000 people.

We must remember that this agreement is just the beginning of the peace, not the end result. It is now more important than ever to continue our bipartisan backing of Colombia as they work to implement the peace deal, fight back against criminal groups, work to take over the FARC's territory, and deter further coca cultivation.

Despite these opportunities for growth, challenges still abound. The repression of the Cuban people is only escalating, with innocent women continuing to regularly be beaten in the streets while peacefully marching.

The Venezuelan people are, unfortunately, continuing to languish at the hands of Maduro, who continues to stifle democracy and violently fight back against pro-democracy advocates.

My experience with the Western Hemisphere has taught me that any approach to Latin America needs to be a regional one. Piecemeal approaches will not tackle the region's most pressing challenges such as strengthening the rule of law and respect for human rights, increasing transparency and combating drug trafficking.

That is why I am concerned about the rhetoric that is already coming out of the Trump administration with regards to our allies like Mexico, who has been a strong partner of the U.S. under both Republican and Democratic administrations. I hope that President Trump soon realizes how much these relationships have enhanced the security and prosperity of the United States, and that the only way to make the region stronger is by working together.

I thank the witnesses for their testimony. I look forward to discussing how we can improve relations in the coming year. Thank you.

Mr. DUNCAN. Okay.

This being our first subcommittee meeting, I am going to kind of step out of the norm and recognize the former chairwoman of the subcommittee—of the full committee and now the subcommittee chairman of the Middle East and North Africa, Ms. Ros-Lehtinen, for a brief opening statement.

Ms. ROS-LEHTINEN. Well, thank you so much, Mr. Chairman, and thank you to the ranking member for this timely hearing. I'll be traveling to the region with Ranking Member Sires. We are going to Honduras and Guatemala this weekend.

We have seen those countries make significant progress in fighting corruption, but the attorneys general of these countries need our support. They face tremendous propaganda campaigns to undermine the progress they've been making. In Nicaragua we see the Ortega regime immersed in corruption, denying human rights to its people, and undermining our interests in the region by placating the Russians.

So much work needs to be done in Venezuela, as you pointed out, Mr. Chairman. Thank goodness we have got new sanctions against these human rights violators.

We have seen the dialogue in Venezuela is not working and the U.S. position must be that Josh Holt and all the political prisoners including Leopoldo Lopez and Antonio Ledezma must be released immediately and unconditionally.

And in my native homeland of Cuba we need to prioritize our focus to the Communist island and be on the side of human rights, on the side of return of fugitives like Joanne Chesimard, on the side of U.S. citizens whose properties were confiscated.

There is so much going on, but hopeful signals too. We have got a new election cycle in Ecuador, Mr. Chairman, in April. That's going to, hopefully, bring back election democratic norms to that country. And in Haiti, lastly, after years of stalling elections finally occurred and we have a new President.

So good things can happen. Thank you for your leadership, Mr. Chairman and Mr. Ranking Member.

Mr. DUNCAN. I thank the lady, and I want to go now to Mr. Meeks, who is probably the senior member of the subcommittee, for a brief opening statement.

Mr. MEEKS. Thank you, Mr. Chairman. I want to thank you and the ranking member for holding this very important hearing on issues and opportunities in the Western Hemisphere.

Our relationship with our neighbors, partners and friends must be a high priority for the United States. I am hopeful, you know, that the cuts that we are seeing through the State Department that the President is proposing do not jeopardize some of the things that we do.

I am very concerned about that and maybe some of the other statements that he has made, particularly in regards to Mexico where we have spent decades investing in a relationship that works collaboratively on all fronts.

And the question or not—the question is now whether or not all of that is in jeopardy following inflammatory and audacious statements regarding Mexican migrants, orders to increase deportations that would tear families apart, and efforts to build a border wall at Mexico's expense.

You know, Mexico is a big important country for us and there is no question that NAFTA should be updated to meet the needs and changes of the 21st century. However, it has enabled a strong trade relationship between our countries and the subject of withdrawal by any of the three countries should not be used and taken lightly or used as a political tool.

It is, unfortunate, as I have heard both you, Mr. Chairman, and the ranking member say, that the political situation in Venezuela has become detrimental to the Venezuelan people.

The Venezuelan people are deserving of safety, security and prosperity and their well-being must take center stage. Positive changes across the hemisphere are welcoming, including in the Caribbean where we are encouraged by Haiti's commitment to the peaceful transfer of power to a new President.

The Haitian people have endured countless natural and manmade disasters and it is their resilience that will restore and rejuvenate a democratic Haiti. Changes to the hemisphere are constant.

But I also wanted to say I am pleased that we have enacted last year the U.S.-Caribbean Strategic Engagement Act, which I think helps a stronger engagement with the Caribbean. It is critical to our national security.

And also I could not stop without talking about—and I think I have heard everyone mention this—the ratified peace agreement between the Colombian Government and the FARC which showcased to the world what Colombia's perseverance looks like, and serves as the model to others that getting to the table and talking through legitimate concerns and next steps is possible for our support for Peace Colombia and that should be as strong as it was for Plan Colombia.

And, you know, I am a big trade guy but I have got to end—I want to conclude by highlighting an issue that is near and dear to me: The social inclusion of persons of African descent in indigenous and marginalized communities. It's crucial to the advancement of our hemisphere. I would like to spotlight Brazil and Colombia as leaders in their respective efforts to dissolve barriers of race discrimination.

Our joint action plans with Brazil and Colombia to eliminate racial and ethnic discrimination, and to promote equality highlight our mutual commitment to the issues.

I fear that if we fail to acknowledge the necessity of social inclusion across the hemisphere it will be to the detriment of all of us in the hemisphere including the United States. As Dr. King said, "Injustice anywhere is a threat to justice everywhere."

So the political, economic, social, and environmental advancement of our hemisphere requires earnest and genuine social inclusion to combat systemic discrimination and injustice. And if any government in the hemisphere including the United States fails to address this it will do so at its own peril.

And I thank you, Mr. Chairman, again, for giving me this opportunity.

Mr. DUNCAN. Thank you, Mr. Meeks.

I am going to go ahead and recognize the witnesses. The rest of the committee members, if you would like to make a brief opening statement during the question period I will allow a little leniency on our time and not adhere to the strict 5 minutes. But keep those statements brief when we get into the question time. I just want to try to make it fair with this being our first subcommittee meeting. But I would like to go ahead and start hearing from the witnesses in the time allotted. So we will now proceed with that.

Each witness will be given 5 minutes to present testimony. There is no lighting system in here so I will give a brief indication when you're time is getting close, if you can wrap it up at that point.

Members have been given the bios of all the witnesses and that's how we will run this committee. We will not introduce each witness by their bio and long lengthy introduction.

I will just recognize them to go ahead with their testimony. You can read about them beforehand. We should provide that beforehand.

So Ms. Sally Yearwood, you are recognized for 5 minutes. Welcome back.

STATEMENT OF MS. SALLY YEARWOOD, EXECUTIVE DIRECTOR, CARIBBEAN-CENTRAL AMERICAN ACTION

Ms. YEARWOOD. Thank you. Good afternoon, Chairman Duncan, Ranking Member Sires and members of the subcommittee. Thank you for the opportunity to appear before you today.

The countries of the Caribbean and Central America are America's third border, and while they do not always figure front and center in discussions on hemispheric policy, they include 22 of the hemisphere's 35 independent nations and are therefore of significant strategic importance.

With limited exceptions, the countries of the region have strong and longstanding relationships with the U.S. and share common values, intertwined histories, and often common challenges.

The important thing about challenges, however, is that solutions and opportunities for all partners are found in collaboration, clear priorities and shared commitment.

At the end of 2016, the bipartisan bill, the United States-Caribbean Strategic Engagement Act of 2016 was passed into law. I would like to go on the record thanking Congressman Engel and Congresswoman Ros-Lehtinen for their co-sponsorship of the bill and ongoing support to the region. Its passage has immediately afforded an opportunity for Caribbean stakeholders to dialogue with counterparts in the United States on areas of mutual importance.

Where Central America figures in the United States foreign policy and what this means for tackling such areas as crime and corruption in a volatile environment is particularly important and ongoing commitment and partnership is necessary.

There is a lot at stake, particularly for the countries of the Northern Triangle where uncertainty could have repercussions across the social, political, and economic fronts including the vibrant trade relationship.

The U.S. has consistently had a surplus with both subregions for the trade of goods, while the balance of trade with the hemisphere overall shows the U.S. running a deficit of $36.9 billion in 2014. The balance of trade with CBI countries recorded a surplus of $3.6 billion that year and in 2015 the U.S. had a trade surplus of $5 billion with DR-CAFTA countries. This trade supports hundreds of thousands of jobs here and has a correlated effect of creating and supporting hundreds of thousands of jobs in the region.

There are a number of issues today that have broad implications for growth in the region. The weight of each factor varies by country. But I will point to some areas that have general resonance and are often relate.

One—crime is one of the most pervasive issues that governments and societies are confronting. The tentacles of drugs, gangs, and vi-

olence bleed into politics and the economies in ways that many of the countries are unable to address in isolation.

Related to the ability to manage crime in many of the countries is the weak nature of the judicial process. The court systems are often bogged down and people who are arrested are held without trial for extended periods of time, not to mention those who are in and out of the system after payoffs.

Collaborative and security programs in the region can have a positive impact on the cost of managing border security in the United States. As an example, customs and immigration pre-clearance facilities are an instruments for building mutually beneficial partnerships for protecting borders.

Two—corruption has different implications, depending on the type and scale of the problem. But it is important to note that there are significant efforts being undertaken throughout the region to combat it and to increase transparency and accountability.

These are yielding important results and ongoing support from international partners including the United States will serve to strengthen political will and will have lasting results.

Three—reforms that can drive for more productive policy environment for trade and investment are necessary. Indeed, institutional inertia in both the Caribbean and Central America has been a barrier to more dynamic business communities.

A strong business climate with clear rules and with rule of law has implications for job creation and economic growth and is an area that will impact competitiveness and productivity for the better.

Four—there are strong legal migrant communities from Central America and the Caribbean throughout the United States and as U.S. policy evolves, there will be concerns about the possible effects on the region.

One would be about the general economic impact which could be triggered by a drop in remittances, and second is the absorptive capacity if there is a wave of returning migrants and/or deportees.

This could put extreme socioeconomic pressure on nations unless national or international resources are directed toward managing this influx.

Five—the correspondent banking crisis in the Caribbean is considered a threat to stability. Small markets and high costs of compliance with global regulations have led to the derisking phenomenon, which is an outflow of foreign banks that manage cross-border transactions.

The U.S., together with other bilateral partners and multilateral institutions, is working with the region to address compliance issues and the related unintended consequences.

This cooperation must continue as a matter of national and regional security.

Six—the entire region is vulnerable to natural disasters and the cost of a disaster can reach up to 30 percent of GDP. Linked to this vulnerability is the impact of rising sea levels that are threatening the coastlines. Resilient infrastructure development is a key to an economically sound and secure region.

Seven—it is difficult to capture the importance of regional energy security in a paragraph. Venezuela's relationship with many in the

region and the influence of Petrocaribe is its own book. Some highlights on progress in the region include the important work on the Central American electrical interconnection system, Guyana being on the brink of becoming a regional and global energy leader, and the deployment of technology for transportation and delivery of natural gas, which is making this fuel a more accessible and cost-efficient option for small islands. The U.S. and other partners have been working with the region with a focus on sustainable energy development. This has had positive results for economies where the high cost of energy can negatively impact economic activity.

And finally, a few words on Haiti, where the new President was recently inaugurated. Haiti's social and economic development will require substantial public and private sector investment. Haiti's stability needs to be secured and it will take well planned domestic strategies coupled with targeted thoughtful international involvement to achieve this.

In conclusion, fragile states are unreliable neighbors. So it is valuable to underscore the importance of a strong collaborative relationship with the countries of our third border.

This subcommittee has been very mindful of this fact and I appreciate the attention it has given to the smaller nations of the hemisphere and to the issues impacting the systemic challenges to their economic growth.

Thank you, Mr. Chairman, for the opportunity to be here.

[The prepared statement of Ms. Yearwood follows:]

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Testimony of Sally Yearwood

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House Committee on Foreign Affairs

Subcommittee on the Western Hemisphere

Tuesday, February 28, 2017

Issues and Opportunities in the Western Hemisphere

Chairman Duncan, Ranking Member Sires, and Members of the Subcommittee, thank you for the opportunity to appear before you today in this hearing on "Issues and Opportunities in the Western Hemisphere".

The countries of the Caribbean and Central American region make up the United States' "Third Border", and while they do not always figure front and center in discussions on hemispheric policy, they include twenty-two of the hemisphere's thirty-five independent nations and are therefore of significant strategic importance to the United States. With limited exceptions, the countries of the region have strong and long-standing relationships with the U.S., and share common values, intertwined histories, and, often, common challenges. The important thing about challenges, however, is that solutions and opportunities for all partners are found in collaboration, clear priorities, and shared commitment.

It is important to note that in covering multiple nations in two sub-regions, it is easy to generalize and ultimately not provide meaningful insight to the real issues that are at stake in individual countries.

First of all, I consider the Caribbean fortunate. At the end of 2016, the bi-partisan bill, the "United States-Caribbean Strategic Engagement Act of 2016[1]" was passed into law. I

[1] H.R.4939 is directed at the fifteen nations of CARICOM and the Dominican Republic.

would like to go on the record thanking Congressman Engel and Congresswoman Ros-Lehtinen for their co-sponsorship of this bill and ongoing support to the region. H.R.4939 calls on the State Department and USAID to develop a strategy to strengthen engagement with the Caribbean, and has immediately afforded an opportunity for regional stakeholders to dialogue with counterparts in the United States on areas of mutual importance.

Where Central America figures in the United States' foreign policy, and what this means for tackling areas such as crime and corruption in a volatile environment, is particularly important, and ongoing commitment and partnership is necessary. There is a lot at stake in Central America, particularly for the countries of the Northern Triangle[2] where uncertainty could have repercussions across the social, political, and economic fronts, including the vibrant trade relationship that must be nurtured.

For both sub-regions, however, many of the issues being confronted are (perhaps not surprisingly) similar. And, as noted earlier, many of the challenges in the region reflect some of the same priorities playing out here in the United States: those of the economy, security, and migration.

CCAA's focus is on trade and investment, so the majority of my remarks will stay in that lane, but I will touch on the more politically fraught areas of crime and migration, as these have profound implications for the regional economies.

It would be remiss not to establish immediately that the United States has consistently had a trade surplus with both sub-regions for the trade of goods. While the balance of trade in goods with the hemisphere overall shows the United States running a deficit of $36.9 billion in 2014[3], the balance of trade with CBI countries recorded a surplus of $3.6 billion[4], and a surplus of $5 billion with DR-CAFTA countries in 2015[5]. This trade supports hundreds of thousands of jobs here in the United States, and has a correlated effect of creating and supporting hundreds of thousands of jobs in the region. The trade relationship has deep rooted economic and social benefits.

There has been mixed performance among regional economies over the past year, with some of the most striking contractions occurring in the commodities-exporting countries. ECLAC has forecast some growth for the region in 2017, linked to overall global growth, with Central America, the Spanish-speaking Caribbean, and Haiti forecast to grow by about

[2] The Northern Triangle countries are El Salvador, Guatemala, and Honduras
[3] https://ustr.gov/countries-regions/americas
[4] Eleventh Report to Congress on the Operation of the Caribbean Basin Economic Recovery Act December 30, 2015. Prepared by the Office of the United States Trade Representative.
[5] https://ustr.gov/trade-agreements/free-trade-agreements/cafta-dr-dominican-republic-central-america-fta

3.7% and the English-speaking Caribbean growth projected at around 1.7%[6]. It should be noted, and as was previously presented to this Subcommittee in July, 2016[7], the debt burden in some of the Caribbean countries is an impediment to sustainable economic growth.

The strength of the U.S. economy, of course, has a significant effect on the region. In the area of tourism for example, in 2016 14.6 million visitors moved by air from the United States to the Caribbean[8]. Strong U.S. trade, specifically in shipping, drives revenue in the Panama Canal region. Therefore, the performance of the economy and related policies here, will be an important factor in regional growth.

Observers in both Central America and the Caribbean point to a number of issues today that have broad implications for growth in the region. The weight of each factor varies by country, but I will point to some areas that have general resonance, and are often related:

1. Crime and insecurity: In both sub-regions, crime is one of the most pervasive issues that governments and society are confronting. The tentacles of drugs, gangs, and violence bleed into politics and the economies in ways that many of the countries are unable to address in isolation. A timely study by the Inter-American Development Bank measures the economic and social costs of crime in Latin America and the Caribbean[9]. In the hemisphere, Central America registers the highest costs, with an average of approximately 4.2% of GDP, with the Caribbean average at approximately 3.7% of GDP. Related to the ability to manage crime in many of the countries is the weak nature of the judicial process. The court systems are often bogged down, and people who are arrested are often held without trial for extended periods of time; not to mention those who are in and out of the system after pay-offs. Strengthening the judicial system is often pointed to as a priority for addressing insecurity.

   Collaboration on security programs in the region can have a positive impact on the cost of managing border security in the United States. The last time I was before this Subcommittee[10], I spoke about customs and immigration pre-clearance facilities, where justified by volume of traffic, as an instrument for building mutually beneficial partnerships for protecting borders.
2. Corruption: Transparency International recently released their "Corruption Perceptions Index 2016"[11] and only seven of the nineteen regional countries covered

[6] Economic Commission for Latin America and the Caribbean (ECLAC), *Preliminary Overview of the Economies of Latin America and the Caribbean, 2016* (LC/G.2698-P), Santiago, 2016

[7] http://docs.house.gov/meetings/FA/FA07/20160714/105222/HHRG-114-FA07-Wstate-BernalH-20160714.pdf

[8] Source: Caribbean Tourism Organization (www.OneCaribbean.org)

[9] *The costs of crime and violence: new evidence and insights in Latin America and the Caribbean* / editor, Laura Jaitman. 2017. Washington, DC: Inter-American Development Bank

[10] http://docs.house.gov/meetings/FA/FA07/20160714/105222/HHRG-114-FA07-Wstate-YearwoodS-20160714.pdf

[11] http://www.transparency.org/news/feature/corruption_perceptions_index_2016#table

in the survey are in the top half of the perception index[12]. This has different implications, depending on the type and scale of the corruption, but it is important to note that there are significant efforts being undertaken throughout the region to combat corruption and increase transparency and accountability. These are yielding important results, and ongoing support from international partners, including the United States, will serve to strengthen political will and have lasting results.

3. Institutional inertia: Reforms that can drive a more productive policy environment for trade and investment are necessary. In a recent publication by the Inter-American Development Bank[13], it says: "The Caribbean private sector is falling behind because its policy environment hinders rather than promotes dynamic, innovative, and export-oriented businesses." In both Central America and the Caribbean, a strong business climate, with clear rules (and with rule of law) has implications for job creation and economic growth, and is an area that will impact competitiveness and productivity for the better.
4. Migration: While this is not my area of specialization, I would like to make a few observations: First, there are strong, legal migrant communities from Central America and the Caribbean throughout the United States, and as U.S. policy evolves, there will be concerns about the effects on the region, and one would be about the general economic impact which could be triggered by a drop in remittances. In 2016, Latin America received almost $70 billion in remittances. Of this, the primary recipient nations in Central America and the Caribbean received approximately $30 billion[14]. Mechanisms to continue the transparent flows of support, often in small amounts from parties in the United States to this important regional market, need to be identified and strengthened.

   Second is the absorptive capacity. If there is a wave of returning migrants and/or deportees, this could put extreme socio-economic pressure on regional nations unless national or international resources are directed towards managing this influx.
5. Financial sector threats: The correspondent banking crisis in the Caribbean is considered one of the greatest threats to that sub-region's stability today. Small markets and high costs of compliance with global regulations have led to the de-risking phenomenon: an outflow of foreign banks that manage cross-border transactions. This is a multi-dimensional problem, but fundamentally, the fight to thwart global terrorism and illegal movement of money, is setting some jurisdictions up for a situation where the high cost of banking could eventually lead to a collapse of the formal banking sector. This sets the stage for the creation of shadow markets,

[12] For the rankings, this would mean a score of more than 50, where "100" is a total absence of corruption, and "0" is totally corrupt.

[13] Ruprah, I. and Sierra, R. 2016 *"Engine of Growth? The Caribbean Private Sector Needs More than an Oil Change"* Washington, DC: Inter-American Development Bank

[14] Orozco, M. 2017 *Remittances to Latin America and the Caribbean in 2016*, Washington, DC: The Dialogue

where transactions go underground or through informal channels. The United States, together with other bilateral partners and multilateral institutions, is working with the region to address compliance issues, and the related unintended consequences. This cooperation must continue as a matter of national and regional security.

6. Disaster vulnerability and resilience: The entire region is vulnerable to natural disasters, and the cost of a disaster can reach up to 30% of GDP. Linked to this vulnerability is the impact of rising sea-levels that are threatening the coastlines; in the Caribbean, it is estimated that 90% of economic activity takes place within one mile of the coastline, and 60% of residents live in coastal zones. Resilient infrastructure development is a key to an economically sound and secure region.
7. Energy: It is difficult to capture the importance of regional energy security in a paragraph; Venezuela's relationship with many in the region and the influence of Petrocaribe is its own book[15]. The countries of the region, individually or collectively, must have a strategy for their future energy security. Some current highlights are:
   - the important work on the Central American Electrical Interconnection System;
   - support by the United States and other donor partners for the development of the Caribbean Sustainable Energy Roadmap;
   - Guyana being on the brink of becoming a regional (and global) energy leader; and,
   - the deployment of technology for transportation and delivery systems for natural gas are making this fuel a more accessible and cost-efficient option for small islands.

   The United States, along with bilateral and multilateral partners, has been working with the region on multiple fronts, and has hosted the U.S.-Caribbean and Central American Energy Summit, a signature event in the Caribbean Energy Security Initiative. This is an important initiative that would benefit from continuation. A focus on sustainable energy development has had positive results for small economies where the high cost of energy can negatively impact economic activity.
8. Finally, a few words on Haiti: the good news is that the President, Jovenel Moïse, was inaugurated on February 7. There is still no ratified Prime Minister or Cabinet, but we hope that the process will move forward quickly. Haiti's social and economic development will require substantial public and private sector investment into education, health, energy, infrastructure, and the productive sectors (agriculture and manufacturing). The bottom line is that Haiti's stability needs to be secured,

[15] For more information, a good source is: Goldwyn, D. and Gill, C. 2016 "*The Waning of Petrocaribe? Central America and Caribbean Energy in Transition*" Washington, DC. The Atlantic Council

and it will take well-planned domestic strategies, coupled with targeted, thoughtful international involvement, to achieve this.

Conclusion:

Fragile states are unreliable neighbors, so it is valuable to underscore the importance of a strong, collaborative relationship with the countries of our Third Border. This Subcommittee has been very mindful of this fact, and I appreciate the attention that is given to the smaller nations of this hemisphere, and to the issues impacting the systemic challenges to their economic growth.

Thank you, Mr. Chairman, for the opportunity to be with you today.

Mr. DUNCAN. Thank you, Ms. Yearwood.
I now will recognize Joseph Humire for 5 minutes.

STATEMENT OF MR. JOSEPH M. HUMIRE, EXECUTIVE DIRECTOR, CENTER FOR A SECURE FREE SOCIETY

Mr. HUMIRE. Chairman Duncan, Ranking Member Sires, distinguished members of the subcommittee, good afternoon. I thank you once again for inviting me to testify before you today and thank you for your leadership on a region that is near and dear to my heart and where I spend a lot of time through my work.

We are in an important period of transition, both in the world but, more particularly, in the Western Hemisphere. The rise of pro-U.S. governments in Argentina, Peru, Brazil, Guatemala and, potentially, other nations in the region very soon, combined with what appears to be a renewed focus from the White House with the appointment of General John Kelly. Along with the leadership of this Congress, I believe there are ample opportunities to increase our engagement throughout the Americas.

Capitalizing on these opportunities, however, is going to require a strategic approach that's informed by our partners in the Latin America and Caribbean area.

Through my work, I primarily focus on national security issues, but I spend a lot of time on the ground. I travel to the region probably more than I want.

I spend a lot of time dealing with different actors and different partners that are—express different challenges that they are experiencing in their respective countries. With that, I can say that any regional strategy must take into account the growing transnational threats that are active in both Central, South America, and the Caribbean, along with the regional and extra regional actors that are exacerbating these challenges, many of which are identified in my written testimony.

In my written remarks, I provide a series of recommendations, five recommendations in particular that I believe are areas where the Congress and the new administration can collaborate to further U.S. interests in the hemisphere. I'd like to highlight three of them.

The first is immigration security. Border security begins beyond the border. There is a series of networks that are permeating all throughout Latin America from the southern tip of Argentina all the way up north through Mexico, passing through countries like Venezuela and Central America.

The ability to capitalize on our immigration security is encompassed in our ability to strengthen our human intelligence collection.

It is no longer sufficient to simply rely on law enforcement or immigration officials to wait until they get to the border or to the airport to be able to identify what is a threat. We must be able to augment our Embassies and consulates abroad who are literally our first line of defense when it comes to immigration security and I believe with the prioritization of the administration on this issue this provides a tremendous opportunity for the Congress to collaborate on this and Latin America.

The second is counterterrorism. We are—in about less than a month we are about to embark upon a historic legal precedent in Latin America, both in Brazil and in Peru.

For the first time in the region there is a strong potential that we will have the first conviction of a member of an Islamic terrorist organization, both a Sunni Salaafist organization and that of ISIS as well as a Shi'a extremist organization and that of Hezbollah.

The case in Peru is set to be adjudicated before the end of March. The case in Brazil of 12 sympathizers to ISIS that plotted to blow up several sites before the summer Olympics this past—this past year is set to adjudicate even sooner.

If these cases are convicted and sentenced, this is the first time in Latin America's history that a member of an Islamist terrorist organization is convicted for being a member of an Islamic terrorist organization.

That creates a legal precedent, because in Latin America there is a legal vacuum in that about half the countries have anti-terrorism legislation but even the countries that have this legislation they never took into account foreign terrorist organizations. It was mostly domestic terrorism threats that they were dealing with when they addressed this problem.

The influx of foreign terrorist organizations into the region creates a different challenge for these countries and being able to convict these individuals are de facto designations. I believe that will create a tremendous opportunity for the United States to cooperate with these countries to provide technical assistance, legal assistance and other so that they can create a bigger robust counter terrorism coalition.

The final recommendation—not the final recommendation in my written remarks but the one I'd like to address in my opening statement is looking at a particular phenomenon in Latin America that goes beyond corruption. Many countries in Latin America are facing informal markets, illicit markets that override a lot of times the formal markets, free enterprise oftentimes being overrun by criminal enterprise.

However, there are select few countries that have gone beyond that to essentially use criminalization as a way to empower state policy and to project their influence both within their country and abroad.

A colleague of mine, regional security expert Douglas Farah, has called these countries criminalized states. I believe that's a concept that we need to develop, and we need to discuss all countries using transnational organized crime, terrorism, and proliferation of illicit products as a method to empower their governments, control their people, and eventually promote their influence regionally.

I believe if we can assess that and determine that we need to establish a strategy to deter it and neutralize it because that can essentially become a bigger threat if you combine it with the component of extraregional actors.

With that, I will just conclude by saying that, you know, I agree with your assessment, Mr. Chairman, that Latin America is largely a zone of peace, if you want to call it that.

My colleagues in the defense community often tell me that while we have headaches in Latin America we have migraines in the Middle East.

But what I would like to couch the committee to think about is that those headaches can turn into migraines if we don't anticipate the problems that are coming our way. Warfare—war is nothing more than compulsion, and there are many ways to compel your adversaries. And I believe in Latin America we are in a asymmetric war for legitimacy in the region, and that we have not yet begun to fight.

In my written testimony I have identified these recommendations about how to advance these interests but it has to be couched among the concept that if we lose in our hemisphere we are going to lose everywhere.

Thank you.

[The prepared statement of Mr. Humire follows:]

WRITTEN TESTIMONY OF

JOSEPH M. HUMIRE

EXECUTIVE DIRECTOR
CENTER FOR A SECURE FREE SOCIETY (SFS)

BEFORE THE

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON FOREIGN AFFAIRS
SUBCOMMITTEE ON THE WESTERN HEMISPHERE (WHEM)

HEARING ON

"ISSUES AND OPPORTUNITIES IN THE WESTERN HEMISPHERE"

Tuesday, February 28, 2017

2200 Rayburn House Office Building
Washington D.C.

** SFS senior fellows and researcher Pedro Souza helped compile research for this testimony*

Joseph M. Humire
Center for a Secure Free Society (SFS) February 28, 2017

Chairman Duncan, Ranking Member Sires, and distinguished members of the Subcommittee. Good afternoon, and thank you for your leadership and for inviting me to appear before you today to address the challenges and opportunities in the Western Hemisphere.

We are in an important period of transition within the world and the Western Hemisphere. The rise of pro-U.S. governments in Argentina, Peru, Brazil, Guatemala, and potentially other nations in the region soon, combined with what appears to be a renewed focus from the White House with the appointment of General John Kelly. Along with the work of this Congress, I believe there are ample opportunities to increase our engagement throughout the Americas. Capitalizing on these opportunities requires a strategic approach informed by our partners in Latin America and the Caribbean (LAC).

As part of my field research, I spend a considerable amount of time on-the-ground in LAC studying issues of concern for U.S. national security. Most of my testimony, therefore, provides an assessment of the transnational threats active in Central and South America. In my experience getting the threat assessment right is key, prior to any U.S. engagement. Towards the end of my testimony, I provide five recommendations identifying timely opportunities that can advance U.S. regional interests.

To accomplish this, and before all else, I hope that Congress will work with the new administration to acknowledge and overtly identify those in the Western Hemisphere who are working against U.S. interests and establish a strategy to negate their efforts. There is a clear convergence in LAC of state and non-state actors, criminal and terrorist franchises, and regional and extra-regional regimes who are working together to undermine the United States and Western influence, writ large. These anti-American elements use all available methods of asymmetric warfare to undermine the United States and its allies in the West. Their aim is a region friendlier to their illicit enterprises and less under the aegis of American influence.

To be blunt: We are in an asymmetric war for legitimacy in Latin America and we have not yet begun to fight.

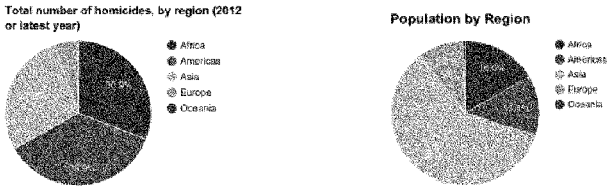
An Asymmetric Zone of Conflict

Latin America, for far too long, has been downplayed as a foreign policy backwater for the United States and characterized as a zone of peace and prosperity that does not merit the immediate attention of our U.S. national security community. As many of my colleagues remind me, while we have "headaches" in Latin America there are "migraines" in the Middle East. In no way, do I want to diminish the extremely difficult challenges we face on the other side of the world, but the fact remains that many of the transnational threats we face worldwide, including in the Middle East, are becoming increasingly active in the Americas. And although this is an added threat in our proximity, it presents an opportunity for greater leverage in the asymmetric contest against larger threats in the Middle East.

To highlight the problem here is one statistic that summarizes the seriousness of the situation we are facing in the region. The Western Hemisphere accounts for approximately 13.4 percent of the world's population but almost 40 percent of its homicides. If we limit this to the LAC region the

situation is more concerning; total LAC population accounts for only 9 percent of the world and 33 percent of the homicides, as depicted in figure 1 below.

Figure 1: Global Homicides vs. Population

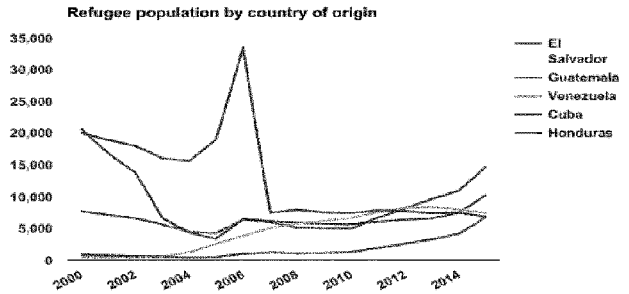


Source: United Nations Office of Drugs and Crime and World Data Bank

Per the latest report of the United Nations Office of Drugs and Crime, LAC countries compose nine of the top ten countries on homicides worldwide. Honduras, El Salvador, and Venezuela top the charts with astonishingly high homicide rates above 60 murders per 100,000 inhabitants, making these three countries the murder capitals of the world. Much of this is attributed to the violence associated with drug trafficking and the rise of gangs and organized crime in the region. Other indicators also show the level of violent conflict in the region.

Analogous to the increase in homicides in LAC is the recent uptick in refugees from the region, as depicted in figure 2, below.

Figure 2: Refugees in Selected LAC Countries (excluding Colombia)



Source: Migration Policy Institute

Joseph M. Humire
Center for a Secure Free Society (SFS) February 28, 2017

Since 2010, there has been a sharp increase in refugees from LAC countries, namely from Venezuela and the Northern Triangle (El Salvador, Guatemala, and Honduras). 2014 was a critical year in this upward trend provoked by the Central American crisis of unaccompanied minors that summer, and the Venezuelan government crackdown on student-led protests earlier that year. This trend can be correlated, at least somewhat, to the policies adopted by the last administration towards LAC. Prior to 2008, except for Venezuela, the trend of refugee outflows in LAC was declining, most notably in Cuba. Since then, a gradual increase in refugee outflows is taking place in these four LAC countries, surging in 2012 and again in 2014.

The upward trend in refugees from LAC is concerning, however, it is still well below the outflows in other parts of the world, namely from the Middle East. Yet, combined with other trends such as Internally Displaced Persons (IDP), of which Colombia still leads the world at close to 7 million IDP, it shows the region is far from a zone of peace. Historically Colombians affected by the over half-century war with the FARC have found refuge in neighboring Venezuela. More recently, however, a greater number of Venezuelans are crossing into Colombia than vice versa. IDP figures in Venezuela are difficult to determine due to the lack of statistics in the country. Nevertheless, examining the spike in U.S. asylum applications from Venezuela, increased over six times since 2014, provides perspective into the humanitarian crisis taking place in that country.

By 2014, we also witnessed an increase in the military and police presence within several LAC countries, with notable (more than 30 percent) rate increases in El Salvador, Uruguay, and Chile. The latter two countries are considered among the more peaceful in the region, however, they still have a 39 percent and 47 percent rate increase, respectively, in their military and police force. This combines with the growth of prison populations throughout LAC that is also increasing, most notably in Brazil, which now has the 4th largest prison population in the world with over a half million of its people incarcerated.

The upshot of all this data is that LAC has trends and tendencies more closely associated with zones of conflict than a zone of peace.

What is driving these trends and are they related? There are some isolated economic and socio-cultural drivers to these conflicts, however, we could also correlate these trends to the rise of a bloc of regional governments that foster instability and insecurity in the region to attack the legitimacy of the United States and its ability to cooperate with peaceful and prospering allies in the region.

This form of asymmetric engagement is not centered around the use of military force against the United States, but it focuses instead on incessantly driving public opinion against U.S. interests while delegitimizing any U.S. presence, particularly military and law enforcement presence, in the region. It can be argued that recent political outcomes in LAC (as of late 2015) have begun to shift the region toward a political trajectory more favorable to the United States. I agree with this assessment, however, to capitalize on this trajectory, we must not underestimate this bloc of nations that continue to consolidate power in their countries and persist in their anti-US efforts. A more prudent and cautious approach is required so that lessons from the past serve as policy guidance for the future in the hemisphere.

Joseph M. Humire
Center for a Secure Free Society (SFS) February 28, 2017

The ALBA Effect

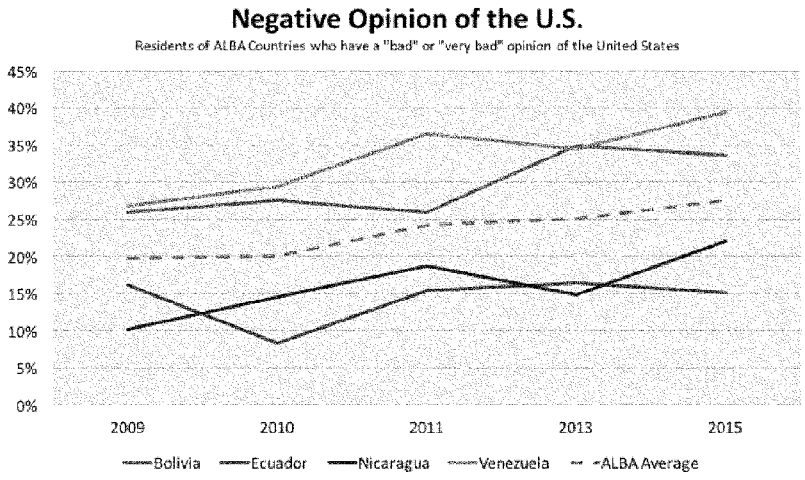
In Washington, it has become somewhat taboo to talk about the Bolivarian Alliance of the Americas (ALBA in their Spanish acronym). The death of Hugo Chávez in 2013 and Fidel Castro last year, have prompted several regional experts to declare that this anti-American alliance that dominated regional politics for almost a decade, is now defeated. Many of these same experts erroneously characterized the ALBA bloc as a collection of weaker and smaller countries that do not pose a serious threat to U.S. national security. This analytical failure enabled Venezuela to become close to a failed state, and allowed Cuba to gain prominence throughout the region. More to the point, this failure allowed anti-American extra-regional actors to gain an unprecedented amount of strategic influence in our hemisphere, along with an increasing convergence of criminal and terrorist networks.

For those unfamiliar with the ALBA, a short summary is in order. The Bolivarian alliance was launched in 2004 as a political power project by the Castro brothers in Cuba and the late Hugo Chávez of Venezuela. Arguably, its high-water mark was in 2014 after it consolidated thirteen governments in the region under one banner. This includes Bolivia (in 2006), Nicaragua (in 2007), Dominica (in 2008), Antigua and Barbuda, St. Vincent and the Grenadines (in 2009), Ecuador (also in 2009), Santi Lucia (in 2013), and Grenada, and Saint Kitts and Nevis (in 2014). El Salvador flirted with joining this alliance in 2014 after Salvador Sánchez Cerén became president. Suriname, Haiti, Iran, and Syria are observing members. Combined this alliance has a population over 70 million, a GDP over $700 billion, and territory spanning across 2.5 million square kilometers. The ALBA has its own trade system (the SUCRE), its own bank (based in Caracas), a regional television network (Telesur), and an international NGO network managed through the Bolivarian Continental Coordinator (CCB in its Spanish acronym). None of this is cause for concern in and of itself, but the ALBA's success is the sum of its individual parts driving a narrative against "U.S. imperialism" and undermining U.S. influence.

Since the death of Venezuela's Hugo Chávez in 2013 and the subsequent collapse of the country's economy under "21st Century Socialism," the ALBA has become visibly less cohesive without a strong *caudillo* at the helm. Nevertheless, the member countries are still under autocratic rule and their governments have replaced ideological implementation with increased criminalization of the State. While one could argue that the ALBA is significantly weaker than before, it is equally true to state that the anti-imperialism sentiments that brought the Bolivarian alliance to prominence—are stronger than ever before. The previous U.S. administration's rekindled relationship with the Cuban regime and support for the Colombian government's peace deal with the FARC brought a breath of new life into this alliance and its anti-American narrative.

Twelve years since its founding, the ALBA's largest success has been manipulating public opinion. Latinobarómeter, a Chilean polling firm measuring public opinion throughout Latin America, depicts data showing a negative trend in the positive opinion of the United States within the ALBA countries. Likewise, the same data shows an increase in the negative opinion of the U.S. in these same countries, as depicted in figure 3 below. The risk of having this trend continue is losing access in a handful of countries in the Western Hemisphere that maintain an anti-US posture. This alliance also continues to remove the U.S. from regional discussions and forums, citing "anti-imperialism" as their *casus belli*.

Figure 3: Negative Opinion of the United States in ALBA countries



* Source: Latinobarometer. Data for 2012, 2014 & Cuba not available.

Today, the ALBA is less ideological and more of a collection of "criminalized states"—a term coined by regional security expert Douglas Farah. Their strength no longer lies in their ideological momentum, but in their ties to transnational organized crime. The sharp decline in oil prices over the last few years has made these mostly oil-producing countries more reliant on illicit activity to maintain their power. Rather than surrender power, however, most of the ALBA countries are turning to transnational organized crime and using authoritarian tactics to repress and silence opposition while consolidating control in their country.

The U.S. Congress and Trump administration should not assume that the ALBA governments will simply fade away. Several recent developments in these countries suggest otherwise. Special attention should be paid to Nicaragua and Bolivia as each country's respective head of state has cemented their positions of power until at least 2019.

I call this the "wounded dog syndrome," whereas, analogous to a wounded dog, when an ALBA regime perceives that its back is against the wall, their leaders will become more apt to demonstrate their totalitarian nature by increasing political repression. I believe we will begin to see heightened civil conflict and increased chaos throughout the hemisphere as the first of the main ALBA leaders in Ecuador and Venezuela are threatened by rejection from a citizenry weary of socialist-induced scarcity. These regimes still have control over their militaries and are strengthening civilian militias. We should not assume they will not act violently in a last-ditch effort to maintain power. The new administration and Congress should pay special attention to the extra-regional forces that are propping up these regimes.

Joseph M. Humire
Center for a Secure Free Society (SFS) February 28, 2017

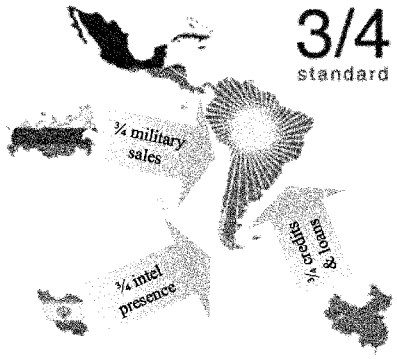
The Convergence of Extra-Regional State and Non-State Actors

The convergence of criminal and terrorist networks in LAC are enabled by the support of extra-regional state actors, whose leadership has been complicit in criminal and terrorist activity. Joining forces with regional anti-American actors, namely the ALBA countries, these regimes use state power to yield billions of dollars in illicit revenue, move a myriad of illicit products, and establish military and intelligence networks throughout the Americas.

The level to which geopolitical forces such as Iran, Russia, and China cooperate on a global level is debated among national security and foreign policy experts. In LAC, these three extra-regional state actors have benefitted, at least to some degree, from the ALBA's destabilization efforts in the region. Operating at the strategic level, these extra-regional actors have vested interests in stimulating a new multipolar system in LAC that favors their interests and investments. Whether it's Russia's response to Crimea, China's political ploys to isolate Taiwan, or Iran's skirting of international sanctions—the United States' "soft underbelly" has increasingly become advantageous to the global ambitions of these three extra-regional actors.

Russia is resurging in the region, by some accounts exceeding its previous presence during the Soviet era. Iran is increasing its regional military and intelligence footprint, while China is surpassing the U.S. as the largest trade partner in select LAC countries. If one examines this phenomenon closely, a visible pattern is discernable in specific countries aligned with these extra-regional actors.

The convergence is taking place in the ALBA nations. Approximately 75 percent of Russian arms sales to the region are with ALBA members, namely Venezuela and Nicaragua. Around 75 percent of Iran's military and intelligence footprint is with these same countries, notably Venezuela and Bolivia. Lastly, close to 75 percent of China's credit and loans to LAC are geared towards the ALBA, propping up failed economies and buying increased regional influence. This pattern can be called the three-fourths standard of extra-regional activity in LAC, and the fact they are in the same countries suggest that more strategic cooperation is taking place in the region among Russia, Iran, and China than competition.



In many instances, the commercial or economic activity of these three extra-regional actors in LAC constitute "non-market" interventions that serve more political and military purposes, while neglecting poor S&P creditworthiness and high systemic risk of many of these countries. Both Venezuela and Ecuador share the dubious honor of 10 foreign debt defaults each. To legitimate market actors, these countries have proven to be high-yield risks that warrant enhanced due-diligence, but China, Russia, and Iran continue to bail them out by offering "sweetened" business deals with heavily subsidized, long-term financing for large contracts and energy-related concessions.

The net effect is a growing element of Russian and Chinese organized crime, an increase in radical and violent jihadists, a maze of foreign state-owned enterprises engaged in dual-use activity, and regional alternative governance structures that play by a different set of rules while maintaining a Westphalian facade. This constitutes increased awareness and vigilance from the U.S. foreign policy and national security community. Islamist terrorism, transnational organized crime, the proliferation of Weapons of Mass Destruction—are all tier one national security threats, and all are active in Latin America and the Caribbean. The growing strategic influence of Russia, China, Iran, and increasingly North Korea, in Latin America add another layer of complexity to this challenge.

This assessment presents the most pressing issues in LAC, meriting prioritized attention by the U.S. foreign policy and national security community. The following are five recommendations as to how the Congress and the new administration can work together to advance U.S. interests and ensure peace and prosperity in the hemisphere.

Recommendation 1: Strengthening Human Intelligence Beyond the Border

Last month the Associated Press reported that, in 2016, "Venezuelans for the first time led asylum requests to United States as the country's middle class fled the crashing, oil-dependent economy." Derived from data of the U.S. Citizenship and Immigration Services, the largest spike comes after 2014 with an additional 168 percent jump in U.S. asylum applications from Venezuelans since October 2015. Moreover, Venezuela is among the top 10 countries whose citizens had overstayed their visas in the United States in 2015.

Earlier this month, CNN and CNN *en Español* aired a year-long investigation revealing a potential immigration scheme by the Venezuelan government. Government officials are reportedly selling passports to suspected members of foreign terrorist organizations, namely Lebanese Hezbollah. The CNN documentary provided eyewitness testimony from former Venezuelan officials living in exile, with first-hand knowledge about this alleged immigration scheme. The potential terrorism risk of the Venezuelan government providing identification documents that conceal the identities of members of Islamist terrorist organizations presents a global security challenge.

This is one example of the threat mentioned by the new Secretary of Homeland Security, General John Kelly, who noted that the threat from these networks beyond the border require a multi-layered approach to immigration security. It is clear that the Trump administration is prioritizing immigration security. My recommendation to this committee is that it should take the opportunity that is being provided by the tighter immigration vetting proposed by the new administration to strengthen human intelligence networks in LAC. Securing our border begins with enhanced and

robust intelligence collection at U.S. embassies and consulates abroad, as far south as Argentina, up through Venezuela, and into Mexico.

Recommendation 2: Establishing a Regional Counterterrorism Coalition

By mid-year, if not sooner, a historic antiterrorism legal precedent will take place in the region. Members of Islamist terrorist networks, for the first time in LAC, may be convicted on terrorism-related charges. One, if not both, of two ongoing terrorism trials in LAC could lead to the conviction of either a member of Lebanese Hezbollah or local sympathizers of ISIS.

In October 2014, a Lebanese national, Mohamad Ghaleb Hamdar, was arrested in Lima, Peru for potentially plotting a terrorist attack in the country. Two years later, in October 2016, I served as an expert witness in this trial. A verdict is expected in March. Given that Hamdar is charged with membership in a terrorist organization, a potential conviction could serve as a de-facto designation of Hezbollah as a terrorist organization in Peru. This would be the first designation of its kind in Latin America.

In July 2016, at least twelve Brazilian jihadists were arrested in Rio de Janeiro, for engaging in a terrorist plot to launch small arms attacks throughout various sites of the Summer Olympic Games. These jihadists pledged allegiance to ISIS through an encrypted messaging app, where they coordinated across various Brazilian cities to arrange the potential shipment of weapons to carry out the terrorist attack. The trial on these Brazilian jihadists is also set to conclude in March, and a conviction is likely.

For several years, Islamist terrorist networks have operated in a state of legal grace in Latin America. More than half the countries in the region lack any form of antiterrorism legal framework. And for the countries that have antiterrorism laws—all of them exclude foreign terrorist organizations. The ability to reform or establish antiterrorism laws in LAC to designate foreign terrorist organizations from the Middle East, is a timely opportunity for the Congress to work with the new administration to deter further terrorist activity worldwide, and to establish a long-sought legal framework in LAC to do so.

Currently, Panama is the only LAC country in the global anti-ISIS coalition. Peru, Argentina, and Brazil, are potential additional members of this coalition, and could easily help the U.S. expand a counterterrorism coalition in Latin America.

Recommendation 3: Working with U.S. Treasury to Sanction Illicit Networks

Filled with low-capacity countries and cash-intensive economies, LAC is an attractive target for illicit elements from opposite ends of the globe. What was once most prevalent in gray areas has moved with astonishing speed to subvert and co-opt state and non-state financial institutions all throughout the Western Hemisphere. This new model operates under broad state protection in the region that undermines commercial markets and international trade, moving several hundred tons of narcotics, laundering millions (if not billions) of dollars, and smuggling a growing number of radical and violent Jihadists throughout the Western Hemisphere. Consequently, illicit finance is the lifeblood of this crime-terror nexus in LAC and the associated criminalized states.

Illicit markets are key to the criminal-terrorist pipelines that move a variety of illicit products in

and out of the Western Hemisphere. The billions of dollars in illicit funds are key enablers of new military, economic, and political institutions and extra-regional alliances designed to eradicate U.S. influence from the region. These illicit markets are used to build parallel structures that are not accountable to the democratic process and help enrich anti-American regimes that use illicit funding for corruption and alliance with TOC groups as a matter of state policy.

For instance, in Central America, the revenues of ALBA Petróleos is equal to 22 percent of the Salvadoran budget. In Nicaragua, Albanisa comprises 20 percent of Nicaragua's budget. Both state-owned enterprises are blended with TOC groups allowing fictitious mega-projects on infrastructure development to legitimize illicit funds.

Dismantling these illicit financial networks is key to any strategy aimed at neutralizing criminal and terrorist networks in LAC. I recommend the Congress work with the new administration to strictly enforce current U.S. anti-money laundering laws and policies in the Western Hemisphere and vigorously apply and enforce the Transnational Drug Trafficking Act of 2015. Working with the U.S. Department of Treasury's Office of Terrorism and Financial Intelligence a bipartisan effort to sanction violators of this law and other policies designed to protect the integrity of the U.S. financial system—is critical to advancing U.S. regional interests.

Recommendation 4: Moving Toward More Bilateral Free Trade Agreements in LAC

Another area or conflict in Latin America is trade. Trade, which by definition is a peaceful activity, has been politicized and used as an instrument of war in LAC. With the rise of the ALBA bloc, multilateral trade pacts such as UNASUR and MERCOSUR, originally intended as regional integration and commercial systems, were turned into political and ideological blocs. Instead of promoting genuine free trade with the goal of promoting mutual prosperity, they served as protective barriers to imports. Based on the erroneous model of import substitution industrialization the new multilateral trade pacts made it prohibitively expensive to secure cheaper inputs and imports, with the state picking and choosing winners to be subsidized by local consumers.

Event NAFTA, for instance, struggles with the wage differential between Canadian and America workers, on the one hand, and Mexican workers on the other is substantial and has adverse consequences for investment and other factors. Likewise, the environmental standards expected of Canadian and American industries impose a heavy burden on and raise costs on Mexico's comparative advantages. The inherent inequalities and differences might be easier to stipulate and to contend within a bilateral agreement than in a multilateral agreement intent on achieving some unreachable equilibrium.

Bilateral trade agreements may prove more effective due to the limitation of parties. Multilateral trade deals often superimpose geopolitical considerations over and above the direct national interests of the parties involved. Rules and regulations may fit awkwardly on the capacity of some of the parties to comply with the full details of a pact. Political considerations and circumstances may vary greatly from country to country and these may have tremendous impact on the implementation of a multilateral agreement. In short, one size may not fit all parties to a single agreement.

Two countries who could benefit immediately from a bilateral free trade agreement with the United States are Argentina and Guatemala.

Recently, Argentina's president Mauricio Macri struck down tariffs that had made computer, notebook and tablet prices in his country the highest in the Americas. In a "knowledge society," Macri pointed out that pricing out computers had a devastating effect on the country's education, business, industry, science and innovative entrepreneurs. Working with the Macri government, U.S. suppliers ranging from Apple to high and low end PC manufacturers could make a significant contribution to economic prosperity. Bilateral trade between the U.S. and Argentina has enormous possibilities and should be pursued to build economic and other critical bonds between our two nations. After twelve years of reckless spending and depleted currency reserves, the Argentines seem poised to trade and to restock their reserves with dollars with which to buy from American suppliers. The Congress and new administration should welcome such a posture by negotiating win-win deals with the Argentines.

Similarly, in Central America, the Guatemalan government of Jimmy Morales, a maverick political figure, is prepared to broker bilateral agreements providing favorable investment opportunities in that country. Opportunities which would generate badly needed employment and help to stem the tide of low-skilled, low-wage migration. A bold bilateral approach could engender a stable, prosperous Guatemala potentially reversing the path of the region without the U.S. attempting to take on too much through a multilateral agreement consisting of highly diverse entities in Central America (Honduras, El Salvador, Guatemala, and even Nicaragua) with different political, social, and economic particularities and circumstances.

Recommendation 5: Appropriate $5 Billion Annual to Countering Criminalized States

All the recommendations provided are strategic initiatives aimed to advance U.S. regional interests. None of these recommendations, however, will be successful if Congress and the new administration does not develop a campaign to counter the rise of "Criminalized States" in LAC whose primary strategic goal is to harm the United States.

For a relatively small investment of $5 billion annually (approximately two weeks in Afghanistan) the Congress can make a significant difference in securing our southern border, dismantling criminal and terrorist networks, strengthening our allies, and reasserting U.S. influence in Latin America, at a time when the region sorely needs our assistance.

At the heart of this effort is countering the bloc of nations identified in this testimony and their extra-regional allies that are working to undermine U.S. presence and influence in the Western Hemisphere. It is essential to spend additional funds on prevention now, then be forced into a potential future intervention down the road.

Thank you again Mr. Chairman and subcommittee members for the privilege of testifying. I would be happy to answer any questions and provide more detail as requested.

Mr. DUNCAN. Thank you, Mr. Humire.

Now the chair will recognize Jose Cardenas.

STATEMENT OF MR. JOSE CARDENAS (FORMER ACTING ASSISTANT ADMINISTRATOR, BUREAU FOR LATIN AMERICA AND THE CARIBBEAN, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT)

Mr. CARDENAS. Thank you, Mr. Chairman, Ranking Member Sires, distinguished members of the subcommittee. It is both an honor and a privilege to appear before you today to discuss U.S. policy in the Western Hemisphere.

As my colleague, Joseph Humire, mentioned, after more than a decade after the rise of populist governments in the region uninterested in productive relations with the United States, the political pendulum has begun to swing the other way with the election of a number of pragmatic governments open to reestablishing normal relations. This creates significant opportunities to pursue new initiatives for the benefit of our and our neighbors' security and prosperity.

To begin with, I suggest that the new administration and the new Congress focus on four issues, out of the gate—Mexico, Venezuela, Cuba and Central America, plus two longer-term plays, if you will.

Mr. Chairman, the U.S.-Mexico relationship is one of the most important bilateral relationships the United States has in the world. It is equally true that President Trump has a mandate to make border security and reviewing NAFTA priorities.

These, however, should be carried out in a collaborative way that encourages vital cooperation. It doesn't have to be confrontational.

Smoothing over some of the rough edges from the 2016 campaign is key to wider progress in the Americas without compromising on U.S.—core U.S. interests. Such an approach will likely deliver the stronger border security and a modern NAFTA that better serves U.S. interests.

Secondly, on Venezuela, President Trump will encounter a different hemisphere, which creates opportunities for more diplomatic engagement to hold Venezuela accountable for its anti-democratic behavior. The President has already demonstrated an interest in defending democracy by meeting with the wives of two high-profile political prisoners, as you mentioned, Mr. Chairman. President Trump has also sanctioned senior Venezuelan officials implicated in narcotics trafficking in the United States.

This two-track approach of working multilaterally, specifically through the Organization of American States, while increasing pressure by continuing to expose the crimes of Venezuelan officials, would be a welcome change to U.S. policy.

On Cuba, Mr. Chairman, the Trump administration should seize the opportunity to bring energy and creativity to truly empowering the Cuban people to decide their own destiny, which President Obama articulated as the goal of his policy.

First off, however, we need to immediately reestablish common cause with Cuba's persecuted dissidents and human rights activists. Secondly, the administration should review all executive orders and commercial deals signed under the previous administra-

tion and judge them by a single standard—do they help the Cuban people or do they empower the Castro regime. I suggest that any activity found to be more sustaining of the regime's control rather than directly benefiting the Cuban people should be ended.

On Central America, President Trump can bring a new commitment and funding for our beleaguered neighbors attempting to cope with the transnational crime and gang activity.

To that end, Mr. Chairman, we have to be guided by several assumptions. Number one, in Central America, as we try to placate and stabilize these societies, preventing their—the push factor from sending people to our borders, we have to recognize there are no silver bullets. It is not a question of the hard side or the soft side. It is going to take all sides.

Secondly, Mr. Chairman, we cannot want it more than they do. We can only help if they are truly committed to helping themselves and that means tackling the twin evils of corruption and impunity.

Three, we must be clear on sequencing. Security doesn't follow from resolving social and economic problems. You have to create security first before anything else.

And lastly, a strong commitment to human rights is not a hindrance. It is essential. It creates legitimacy and trust among the very people we are trying to help.

Beyond those imperatives, the longer-term play is realigning U.S. relations with two of the most important countries in the Western Hemisphere—Brazil and Argentina.

Both are undergoing profound course corrections and we need to take advantage of the situation. Both of those countries can be essential partners after many years of less than cordial relations in support of consolidating democratic and free market development in the region, enhancing both U.S. security and prosperity.

The table is set. All it requires is political will. Mr. Chairman, despite the myriad challenges, I remain optimistic about U.S. relations with Latin America and the Caribbean in the next 4 years.

It will not be all smooth sailing. It never is. But the key is to move past the 2016 Presidential campaign by pursuing serious initiatives with tangible benefits to both the United States and those who want to work with us.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Cardenas follows:]

Submitted Testimony by

José R. Cárdenas
Former USAID Acting Assistant Administrator
for Latin America & the Caribbean,
Former National Security Council Official

Before the House Foreign Affairs Subcommittee
on the Western Hemisphere

"Issues and Opportunities in the Western Hemisphere."

February 28, 2017

Mr. Chairman, Ranking Member Sires, distinguished members of the committee, it is an honor and privilege to appear before you today to discuss U.S. policy in the Western Hemisphere.

It goes without saying that the United States has important interests in the Americas, related to security, commerce, and the consolidation of democratic institutions. On the one hand, we are fortunate that the region is basically stable and at peace. On the other, it seems that too often the absence of war, humanitarian disasters, or widespread human rights atrocities, makes it difficult for our neighborhood to capture the attention of official Washington, given the existence of so many other serious strategic threats to U.S. national security and the world order that beset us today.

The good news in the Americas today is that after more than a decade after the rise of populist governments uninterested in productive relations with the United States, the political pendulum has begun swinging back to the center, with the election of pragmatic governments in a number of those countries that possess no ideological hang-ups about the United States and are open to re-establishing normal, productive relations.

That creates significant opportunities for U.S. policy and the Trump administration to regain lost ground and accomplish new things for the benefit of our and our neighbors' security and prosperity.

To begin with, I suggest the United States would do well to focus on four issues right out of the gate: Mexico, Venezuela, Cuba, and Central America, that is, the fight against transnational criminal organizations.

A Mexican Reset

During the recent presidential campaign, Mexico became a target for voters' concerns about a U.S. immigration policy run amok, even though Mexicans crossing the border contribute little to an immigration crisis fueled more by Central Americans and by visa overstays. Still, "The Wall" resonated, but it is more a metaphor for lackluster enforcement of U.S. immigration laws and Washington's indifference to their impact on Americans' way of life.

Yet the U.S.-Mexico relationship is one of the most important bilateral relationships the United States has in the world. Mexico is the United States' second-largest export market after Canada, and its third-largest trading partner after Canada and China, with a two-way trade that amounts to $530 billion (more than Japan, Germany, and South Korea combined). Six million U.S. jobs depend on trade with Mexico; 14 million depend on the North American Free Trade Agreement, or NAFTA. Moreover, U.S.-Mexico trade encompasses "production sharing," in which 40 cents of every dollar spent on imports from Mexico come back to the United States.

President Trump has a mandate to make border security or a NAFTA review priority issues. One hopes, however, that they are carried out in a collaborative way that encourages vital cooperation with our neighbors. As with any border relationship, there is an array of issues in which respective interests coincide and others where they differ. We need to approach them as statesmen, find common ground, and work together to promote security and prosperity. For example, Mexico has its own security issues on its southern frontier and counts on the commerce on its border with the United States. Why not create a presidential

binational working group with a mandate to identify gaps and weaknesses, recommend specific measures, and ensure accountability?

The 2016 campaign has left a lot of bruised feelings on both sides of the border. The challenge is to pursue very real U.S. interests on a plane of mutual respect and goodwill. Such an approach will likely deliver the stronger border security and a NAFTA that better serves U.S. interests as President Trump sees them.

The Venezuelan Tinderbox

A social implosion in Venezuela could well be one of the first international crises Trump faces. The socialist regime of Nicolas Maduro has presided over an unprecedented economic debacle while systematically gutting the country's democratic institutions. Last October, Maduro eliminated the last option for a peaceful transition when he cancelled a recall referendum the opposition had been pursuing. Meanwhile, pervasive food and medicine shortages are making life intolerable for millions of Venezuelans.

It may not, however, come to a social implosion — at least not yet. Again, the good news is that President Trump will be engaging a hemisphere that is changing politically. In contrast to the previous decade, when governments sympathetic to *chavismo* dominated regional forums, more pragmatic leaders are coming to power in important countries. That creates opportunities for more diplomatic engagement behind the scenes to hold Venezuela accountable for its depredations against democracy.

Encouragingly, President Trump has already demonstrated an early interest in defending democracy in Venezuela by meeting with the wives of two high-profile political prisoners, Leopoldo Lopez and Antonio Ledezma. He has also moved already against senior Venezuelan officials who have been implicated in narcotics trafficking to the United States by sanctioning Venezuela Vice President Tareck El Aissami.

That is a sharp break from the Obama administration, which was reluctant to sanction high-ranking Venezuelans. They feared that any moves would help the

Caracas government play up the specter of U.S. aggression. But not acting in response to crimes against the United States is an abdication of a president's responsibility. While pursuing a multilateral diplomatic solution in defense of democracy and human rights, Trump's team can gain leverage on the Venezuelan regime by continuing to expose and punish the crimes of its officials.

Reviewing the Opening to Cuba

Last December, a Trump spokesman said that Cuba "has been an important issue, and it will continue to be one. Our priorities are the release of political prisoners, return of fugitives from American law, and also political and religious freedoms for all Cubans living in oppression." In late November, President-elect Trump tweeted, "If Cuba is unwilling to make a better deal for the Cuban people, the Cuban/American people and the U.S. as a whole, I will terminate deal." In October, Vice President-elect Mike Pence said, "When Donald Trump and I take to the White House, we will reverse Barack Obama's executive orders on Cuba."

Challenging current Cuban President Raul Castro to implement democratic reforms as a basis for reversing Obama's policy is smart. The regime will of course refuse, while supporters of President Obama's opening to Cuba will be hard-pressed to explain why the Castro government doesn't need to change in exchange for warmer relations with the United States. Of course, Obama policy proponents will continue to argue for engagement and will continue to receive a sympathetic airing in the press. Even so, Trump cannot go wrong by standing with 11 million Cubans.

A review of U.S.-Cuba policy should not necessarily mean a return to the status quo ante. Instead, the Trump administration should seize the opportunity to bring energy and creativity to truly empowering the Cuban people to reclaim their right to decide their own destiny.

First off, the Trump administration should immediately re-establish common cause with Cuba's persecuted dissidents and human rights activists. Perhaps the worst aspect of Obama's Cuba rapprochement was to relegate these groups to a peripheral policy concern. In particular, U.S. assistance for dissidents was

redirected to other activities on the island seen to be less provocative to the Castro regime. That program should be returned to its original purpose, and additional support should be sought from the new Congress.

Secondly, the administration should review all executive orders issued by Obama and commercial deals struck under the Obama administration. They all ought to be judged according to a single standard: Do they help the Cuban people or do they buttress the Castro regime? Any activity found to be sustaining the regime's control rather than directly benefiting the Cuban people should be scrapped. For example, cruise ships that fill military-owned hotels are hard to justify. The guidelines could be: Does the activity promote and strengthen human rights such as freedom of speech and assembly? Does it improve ordinary Cubans access to the internet and information, breaking down the Castro regime's wall of censorship placed between the Cuban people and the outside world, and between Cubans themselves? Does it help to lessen Cubans' dependence on the regime? Does it allow for reputable nongovernmental organizations to freely operate on the island?

Moreover, simply ending such Obama initiatives as tourist travel — combined with the downturn in Venezuelan aid to Cuba — will increase pressure on the Castro regime to undertake real reforms.

Central America and Transnational Crime

The most under-reported story of the decade in the Western Hemisphere has been the expansion and growing sophistication of transnational criminal networks that undermine security and economic growth in the region, particularly in Central America. Secretary of Homeland Security John Kelly, former commander at Southcom, has repeatedly attempted to warn Washington officials and insiders about the threat. In a 2015 congressional testimony, Kelly said that:

> The drug trade — which is exacerbated by U.S. drug consumption — has wrought devastating consequences in many of our partner nations, degrading their civilian police and justice systems, corrupting their institutions, and contributing to a breakdown in citizen safety. The tentacles of global networks involved in narcotics and arms trafficking, human smuggling,

> illicit finance, and other types of illegal activity reach across Latin America and the Caribbean and into the United States, yet we continue to underestimate the threat of transnational organized crime at significant and direct risk to our national security and that of our partner nations.

It is simply impossible to secure our southern border without addressing the "push factor" causing people to flee their homes. Two years after the crisis on the southwest border that saw thousands of unaccompanied minors attempting the dangerous crossing, very little has been accomplished to deal with the push factor, and Central Americans are still crossing in record numbers. The Obama administration's response has been tepid, for fear of being accused by left-wing non-governmental organizations of militarizing U.S. policy in the hemisphere. But people fleeing violence and criminality are not worried about what the United States did or did not do back in the 1970s or 1980s; they want safe and secure homes today.

The Trump administration can bring new energy, commitment, and funding to security assistance and training for our beleaguered neighbors to the south attempting to cope with transnational crime, insecurity, and gang activity. Unless we help them help themselves it will not matter how high or intimidating the wall; even if we build it, they will come.

To that end, Mr. Chairman, please allow me to outline several lapidary assumptions that must — must — serve as the foundation of any U.S. approach to the security problems plaguing Central America in particular:

1. There is no way this will be neat and tidy. Taking down drug networks and gangs is a messy business. We have to remain focused and committed.

2. There are no silver bullets. It is not a question of the hard side or the soft side of assistance. It's going to take all sides;

3. We cannot want it more than they do, Mr. Chairman. We can only help them if they are truly committed to helping themselves — and that means, first and foremost, Mr. Chairman, tackling the twin evils of corruption and impunity.

4. We must be clear on sequencing: that is, security doesn't follow from resolving social and economic problems. Rather, it is only by first creating effective security that social and economic problems can be addressed.

5. A strong commitment to human rights is not a hindrance, it is essential. It creates legitimacy and trust among the very people we are trying to help.

Brazil and Argentina

Beyond these four imperatives, Mr. Chairman, there are longer-term plays, such as realigning U.S. relations with two of the largest and most important countries in the Western Hemisphere: Brazil and Argentina.

Besides being the largest and third-largest economies in Latin America, respectively, Brazil and Argentina carry great weight politically in the region and could help the United States — after many years of less-than-cordial relations — in support of consolidating democratic and free-market development in the region, enhancing both U.S. security and prosperity.

It so happens that presently both countries are attempting to shake off the legacies of statist economics that cratered both economies. More market-friendly presidents are now in power — in Brazil, Michel Temer, and in Argentina, Mauricio Macri — and they are desperate to generate economic growth and less willing to carry water diplomatically for the neo-populist authoritarianism of the late Venezuelan leader Hugo Chávez and his successors.

With two important countries in our hemisphere with whom we have been estranged in recent years undergoing profound course corrections, we ought to take advantage of the situation. Brazil and Argentina are countries with populations of 200 million and 40 million, and GDPs of $1.6 trillion and $550 billion, respectively. Both are sophisticated markets and have vast natural resources in energy and agriculture.

While U.S. relations with Brazil have always been tricky (its Foreign Ministry has always seen relations as a zero-sum game), in Argentina, the path will likely be smoother. First and foremost, President Macri already has a personal relationship with Donald Trump, dating back to the 1980s and a major New York real estate deal between the Macri family and Trump. In short, they are entrepreneurs and negotiators, risk-takers and deal-makers.

Indeed, there is an array of earlier U.S. initiatives launched with either Brazil and Argentina that can be invigorated with renewed political will to take advantage of the situation for the benefit of all: for example, Commercial Dialogues, CEO Forums, Trade & Investment Councils, Defense Industry Dialogues, and Strategic Energy Dialogues. Counter-terrorism and counter-narcotics cooperation (including illicit finance and the troublesome Tri-Border area) can always be improved.

In seeking to escape the economic wilderness of its populist years, Argentina has petitioned the U.S. to re-designate it as a beneficiary developing country for the Generalized System of Preferences (GSP) program, from which it was suspended in 2012. It also wants to accede to the Paris-based Organization of for Economic Co-operation and Development (OECD), in which Chile and Mexico are the only representatives from Latin America.

But the big economic play is in energy. Cutting across grain of "resource nationalism," Brazil and Argentina are eager for private investment to boost gas and oil production. In Brazil, recent discoveries of oil in deep-sea areas off the coast — estimated at more than 50 billion barrels — are said to be one of the world's most important in the past decade. And with the country scrapping the rules requiring the state-oil company Petrobras to have at at least 30% ownership of all projects and to be the sole operator, it will clearly draw the interest of foreign investors and large oil companies.

Meanwhile, Argentina has some of the largest shale oil and gas reserves in the world, much of it unexploited. The huge formation known as Vaca Muerte, about the size of Belgium, has already attracted international interest, and the Macri government is desperate to entice more investment to boost domestic production of gas. As ExxonMobil's CEO, before becoming Donald Trump's Secretary of State,

Rex Tillerson said last year, "I'm optimistic about the changes that have happened in Argentina with the new government."

Conclusion

Mr. Chairman, despite the myriad challenges, I remain optimistic on U.S. relations with Latin America and the Caribbean in the next four years. It will not be all smooth sailing; it never is. But the key is to move past the 2016 presidential campaign by pursuing serious initiatives with tangible benefits to both and those who want to work with us. Granted, to some, there may remain an air of uncertainty regarding President Trump's intentions on foreign policy and trade, but what is clear is that the President is looking for relationships that produce tangible results for the United States — and, for that, he need look no further than our own neighborhood.

Mr. DUNCAN. Thank you.

And the chair will recognize Mr. Quilter for 5 minutes. Thank you.

STATEMENT OF MR. PETER QUILTER, NON-RESIDENT SENIOR FELLOW, ASH CENTER FOR DEMOCRATIC GOVERNANCE AND INNOVATION, JOHN F. KENNEDY SCHOOL OF GOVERNMENT, HARVARD UNIVERSITY

Mr. QUILTER. Thank you very much, Chairman Duncan, Ranking Member Sires, for the opportunity to testify today. Good to see you, Mr. Meeks.

I will summarize my statement. I ask that the full statement be made part of the record.

I would like to concentrate on three different issues which I think are intimately connected—Mexico, Venezuela and the Organization of American States.

Mexico—what we have seen in the past week—the takeaway from what we have seen in the past week is that the dynamic that we are now seeing between Mexico and the U.S. is not business as usual.

In 30 years of looking at this relationship I have never seen it this messy. The Tillerson-Kelly visit, which was intended to smooth things over, I think, in fact laid bare that 1 year away from Mexican elections we have a lot on the table between us, Mexico and the United States.

We have a big agenda. But the maneuvering room is constricting. It is getting smaller rather than widening. That's not good.

What can be lost? A lot. I am not going to talk about the trade issue because we know that between Canada and Mexico the trade relationship is huge. I am going to talk about security, drugs and migration.

What if Mexico were to look the other way on Central American migration going north? What would it look like if Mexico loosened its resolve on the drugs issue with us? What would it look like if Mexico stopped cooperating on terrorism intel with us? And I am talking about Middle Eastern countries. Lots of intel but I am talking specifically about that.

Number two—there is a winner out of the past couple of weeks and that's Lopez Obrador, the perennial Leftist Presidential candidate in Mexico. His stock is going through the roof. He is a year away from the election, the front runner. This is not the consummation devoutly to be wished for the United States.

Number three, this dynamic we are seeing right now with Mexico is the canary in the coal mine for our relationship with the rest of the hemisphere.

We need to fix this because we have serious problems in the region, case in point, Venezuela. Venezuela remains the ulcerating sore of the region.

In my statement I talk about two scenarios—a soft landing where Maduro basically limps his way to elections next year, which may or may not occur. He is good at buying time. That could happen.

The second one is a hard landing. A hard landing will certainly involve bloodshed, will involve the Venezuelan military, will be a

security nightmare for Venezuela's neighbors and will very likely unleash a refugee crisis.

What to do? We need both these things. We need Venezuelans to lead the solution and we need the international community to accompany.

Maduro does care about his international reputation. He doesn't care so much about what the U.S. says but he cares very much about what happens in the rest of the international community. We got to go there.

Sanctions on individuals such as we just had with the Vice President work. They work. We should do more of those. What not to do? Bristly rhetoric. We have tried that before.

Didn't work. We are not doing it now but we shouldn't do it. Second, and most critically, the U.S. can't do Venezuela alone and it can't lead on Venezuela.

The lesson now from the Mexican dynamic is that U.S. needs partners. Unfortunately, trust in our partnerships is eroding. Maduro is exploiting that erosion. We need tools to galvanize those partnerships. The main one we have is the Organization of American States—the OAS.

Let me quickly move to the OAS. The OAS is very weak. It's actually close to a breaking point. This is not an accident. This is a campaign that Venezuela and its friends have waged since Chavez. Unfortunately, I think the U.S. has let this happen.

It has allowed a foreign policy asset to weaken that now we need more than ever. The good news is the OAS is worth saving. The time is fix it is now.

Latin America in the past 15 years has been a good news story. It is less poor and more middle class than it has been. 2017 and 2018 we will have eight different Presidential elections.

This dynamic with Mexico bodes ill. The regional problems such as Venezuela require concerted effort, which now looks more difficult than ever, and the tools to do it, such as the OAS, are in trouble.

There are significant U.S. policy equities that hang in the balance. Without a serious course correction from the Trump administration, I hope it comes in time.

Thank you, sir.

[The prepared statement of Mr. Quilter follows:]

COMMITTEE ON FOREIGN AFFAIRS,
SUBCOMMITEE ON THE WESTERN HEMISPHERE
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128

February 24, 2017

Hearing Title: Issues and Opportunities in the Western Hemisphere

Statement of Peter Quilter

Non-Resident Senior Fellow
Ash Center for Democratic Governance and Innovation
John F. Kennedy School of Government
Harvard University

The Roy and Lila Ash Center for Democratic Governance and Innovation at Harvard Kennedy School strives to make the world a better place by advancing excellence and innovation in governance and public policy through research, education, and public discussion. By training the very best leaders, developing powerful new ideas, and disseminating innovative solutions and institutional reforms, the Center's goal is to meet the profound challenges facing the world's citizens.

The opinions in this statement are the author's alone.

Begin Statement

Chairman Duncan, Ranking Member Sires, members of the distinguished subcommittee, and subcommittee staff, thank you for the opportunity to testify today.

Overview

There are many stories to tell about the Americas today and how U.S. policy options fit into those stories. Colombia has begun the difficult process of implementing its peace deal with the guerilla organization FARC, and has embarked on a separate peace deal with another, the ELN. The U.S. is significantly scaling up its assistance to Central America. The Venezuelan government is plumbing depths heretofore unseen, with the Venezuelan people bearing the consequences. Mexico is locked in a dance of political posturing with the Trump administration.

One narrative has the "pink tide" of leftist governments receding, largely in lock step with the fortunes of the Venezuelan government. Another sees voter behavior in the region more as a "throw the bums

out" sentiment, reacting like voters anywhere to the paucity of solutions provided by those governments. The result of the Ecuadoran election, in play right now, will add a new data point to this analysis. To be sure, the region's social and economic problems are legion, and at least two external factors figure prominently in the region's immediate future. The countries of the Americas sell commodities and China's rapacious demand for them is ebbing as the process of urbanizing that country winds down. Then there is the price of oil. Venezuela is probably the most famous country in the region feeling the sting of low oil prices, but it is not the only one. But it is unique in that low oil prices have starkly put the lie to the sustainability of the policy answers the Maduro government is selling to his people.

The future lies in strengthening the rule of law and undergirding the institutions that protect it. Historically, neither the left nor the right in Latin America has shown itself to be terribly concerned with that. In this recent cycle, the populist left has shown that it cares little about political checks and balances, about press and speech freedom, about corruption. And they are exiting, or being forced to exit, the stage. We used to talk about the 1990s as the decade of democratic consolidation in the Americas. Apparently, our expectations were dramatically off. Consolidation takes much more time than we thought, and it is not a linear process. If the emerging political forces --- from the right or the left --- fail to provide answers, they will be forced out as well. This is as it should be.

Below I have chosen several issues and countries to highlight in this statement. It is by no means comprehensive, and I hope we can widen the discussion in the context of the hearing itself.

The Trump Effect and Mexico

There is little doubt that the Trump presidency has shaken up this region as it has others. At this early stage, however, it is a waiting game in terms of actual policies. I do not believe it is useful to divine policy directions from snippets of statements, or from past actions of persons apparently tapped to be part of the Trump team.

That said, Mexico is already in the crossfire and has been since the campaign. Between the wall, immigration changes and trade, Mexico has had to marshal all of its considerable experience dealing with the US to weather the short term. I believe it will fall to Mexico to react in a way that mitigates the harm to the relationship. This will not be easy, as the Pena-Nieto government is already playing defense at home with historically low approval ratings. Even if this Mexican government were riding high, it has one more year left in office, and few good cards to play.

As of this writing, Homeland Security Secretary John F. Kelly and Secretary of State Rex W. Tillerson are in Mexico City. While they were still on the ground, President Trump spoke of his plan to increase deportations as a "military operation". Students of U.S.-Mexican relations know that to mention our border with Mexico and the U.S. military in the same sentence is about as provocative a statement as anyone can make, let alone a US president. It pushes every negative button that exists in the Mexico-

U.S. history. We will have to wait to see if Secretary Kelly's attempts to walk that back are reassuring to Mexico and to our hemispheric neighbors.

It is difficult to predict where this will go. But one consequence is already revealing itself. The political left in Mexico is already benefitting significantly. Perpetual leftist presidential candidate Andrés Manuel López Obrador has seen his stock rise stratospherically, and he is the front-runner in next year's elections. Should he emerge as Mexico's President in 2018, expect a significant hardening of the rhetoric surrounding the relationship with the US. What hangs in the balance is the hard-won cooperation the US and Mexico have developed on drug trafficking, immigration, and security (both crime and terrorism) – to say nothing of the enormous trade relationship developed over decades with both Democratic and Republican U.S. administrations.

Mexico is our biggest purchaser of agricultural products, but it has other sources for those products, even in our own hemisphere. The U.S. has had a messy trade relationship with both Argentina and Brazil on agricultural products precisely because we sell similar things.

And perhaps most sobering, Mexico could simply choose to reconsider its cooperation on security, drugs and migration. It is difficult to overstate the negative impact on the U.S. if Mexico were to look the other way on Central American migrations flowing north, loosen its resolve on drugs coming into the US, or become less cooperative on terrorism intelligence sharing.

The relationship is quite simply at its lowest point in decades. And it could get worse.

Venezuela

Venezuela remains the ulcerating sore of the region, with astonishing suffering being visited on the Venezuelan people by the Maduro government. The latter is authoritarian, incompetent and morally bankrupt, seeming to delight in political repression. It is also willing to accept degrees of suffering for its people that make negotiations very difficult indeed. It clearly has dismantled democracy in Venezuela. The paradox is that we have stopped being horrified by this because far more severe and urgent social ills have befallen the Venezuelan people, including appalling levels of poverty, scarcity and even starvation. Venezuela has an 82% poverty rate after the largest oil bonanza in the history of Venezuela, and 93% of Venezuelans state that they cannot afford to buy food that they need with their salary.

To date, several negotiation initiatives with Maduro have gone nowhere, and in fact ended up providing time and space for Maduro to regroup. The social and political situation is so catastrophic that two scenarios appear likely. Neither is good.

The first is a drawn out soft-landing, where Venezuelans continue their downward spiral of suffering and economic despair. It is difficult to imagine, but unfortunately the situation in Venezuela could get much worse. Oil prices are likely to remain stable, providing just enough breathing room for the government to eke out its own survival at the expense of all else, while it claims it is limping toward presidential elections in April, 2018 that may or may not be held.

The second is a hard-landing for the Maduro government. This would be calamitous and would likely include significant bloodshed. The Venezuelan military would certainly be involved. It would severely impact Venezuela's neighbors from a security perspective, and likely unleash a substantial refugee crisis. The international community has expended significant effort to ensure this does not happen, and Maduro and his cronies have used the latter to distract and survive.

What to do?

- I believe that any durable solution to these woes will ultimately fall to the Venezuelans themselves. The international community must accompany that process, but Venezuelans must lead it.
- It seems counterintuitive, but the Maduro government does care about its international reputation and standing. It is for this reason that Venezuela has dedicated so much blood and treasure ensuring the OAS does not formally impugn its government.
- The international community must speak with one voice in condemning Maduro's anti-democratic actions. Much diplomatic work needs to be done in the OAS to keep up that pressure. A sanction under the Democratic Charter is difficult but attainable.
- There are 108 political prisoners languishing in Maduro's jails. They must be a part of any negotiated solution.
- It is similarly counterintuitive that Venezuelan's would care about personal sanctions imposed by the US on individual members of the Maduro government. But they do. The Treasury Department's sanctions on Venezuela's vice president for drug trafficking was spot on. As long as they are well justified and transparently rolled out, those should continue.

What about the Trump administration?

There are things the U.S.should definitely NOT do, such as trying to openly attempt to hasten the demise of the Maduro government, or trying to rhetorically match Maduro's bristly public rhetoric. Both of these are counter-productive.

A note of caution here: Perhaps most critical, the US should not try to solve this alone. Helping Venezuelans overcome their political and economic nightmare will require the kind of needle-threading skills our State Department considers its stock in trade. But judging by the confusion and abrasiveness that have characterized current dealings with Mexico, the U.S. should not be seen as leading any Venezuela effort. There is already evidence that the Mexico-U.S. spat is playing in Maduro's favor, and he will exploit it as best he can. At the end of the day, the U.S. should be seen as advancing a policy that helps the Venezuelan people, rather than one that reacts to the increasingly unstable and reckless Venezuelan government.

<u>The OAS</u>

The OAS has historically been an important arrow in the quiver of US foreign policy. But that is less so today than at any time in the OAS's long history. Why?

Opinions about the OAS are usually strong, and often negative. We can probably all agree that the OAS does some things very well – mostly related to elections, special political missions and human rights—and that it does some things less well, such as development work.

We likely also agree that today the OAS is weak, institutionally as well as politically.

This weakness is not accidental. I would lay the blame squarely on an intentional campaign waged by Venezuela that began in the Hugo Chavez years and continues unabated today under Maduro. The effort to weaken the OAS on the part of Venezuela has been systematic, relentless, and ultimately --- and painfully--- successful.

Why and how has it done this? The why is clear: the Chavez government figured out early on that an organization which stands for democracy and the rule of law is a direct threat to its existence. The how has been multifaceted. It has seeded competing multilateral organizations, such as UNASUR and CELAC, which are ineffectual, toothless and of course exclude the U.S. and Canada. It has systematically steered the organization away from its democracy and human rights mission, and further into expensive work the OAS does poorly – such as development. It has intentionally larded the Organization with myriad, duplicative mandates it cannot possible fulfill. It has used its petrodollars to rally votes. It has turned the OAS's Permanent Council into a place that is mostly and embarrassingly all talk and no action. It has stymied any efforts at meaningful reform of the OAS itself, trapping it in a downward spiral of under-performance. Finally, it has successfully disconnected the OAS from the most important and significant political and policy compass of the hemisphere: the Presidential Summit of the Americas process.

This, of course, begs an important question. Where has the US been as the region's premier venue to discuss and safeguard democracy and human rights has been whittled down to the point of ineffectiveness? Sadly, the answer is the US has been quite simply outmaneuvered by Venezuela. The US took far too long to figure out Venezuela's game, and has not devoted the resources to counter-act that effort.

The good news is the battle is not lost.

- It starts with a recognition that the OAS is worth saving. This is no easy feat, considering the impoverished state of the OAS's institutional credibility and capacity. But the US needs to see that by allowing the OAS to weaken, it has lost a valuable foreign policy asset.
- The US needs to openly rally its allies in the OAS to bolster the Organization's institutional foundations. This is boring but essential. The OAS is literally falling apart. The resource weaknesses of the OAS are structural. There is no penalty for countries who pay their dues late or not at all, and the OAS has no reserve fund to weather that resource volatility. As a result, in terms of resources, the OAS is always playing defense. After decades of a zero nominal growth budget, the OAS has shrunk itself into ineffectiveness. The US needs to commit resources and use the implementation of US Pub.L. 113-41, The Organization of American States

Revitalization and Reform Act of 2013, passed by among others, this subcommittee, as an opportunity to press for solutions to these problems.

- The OAS needs to spin out of the organization the tasks that weigh it down, primarily development work. The IDB and the World Bank do it better, and the OAS has no comparative advantage in this segment.
- The OAS should reconsider its governance structure. The Permanent Council is an operational board with absolutely no ability or expertise to manage. The member states should look to a non-operational role for the Permanent Council, perhaps by having it meet quarterly, and only to set policy guidance or as important hemispheric events require.
- The OAS's work should be directly tied to the Summit process, which should be its guiding light at the Presidential level.

What is clear is that the OAS cannot fix itself. There are too many spoilers, led by Venezuela, and the current eroded state of the Organization has called into question the very notion that it is worth saving. It is time for the U.S. to grasp this nettle.

The solution needs to come from outside the OAS. Here I believe this subcommittee could play a significant role. It could push for the development of recommendations on the issue with US and non-US NGOs, with an eye to suggesting solutions for the State Department to pitch to the subset of member states that understand the importance of the Organization's future. It should not be constrained by the OAS's founding documents, as these can and need to be updated.

It used to be said that if we were to close the OAS tomorrow, we would have to re-create it the next day. I no longer believe that is true. To leave things as they are is to watch the inevitable descent of the OAS into irrelevance and to countenance permanently shuttering its doors. This would be a grave defeat for the US.

Conclusion

Latin America has changed dramatically in the past 15 years. It is less poor and more middle class than it has ever been. And it is searching for integration, both with its neighbors and with the rest of the world. This is, ultimately, a good news story. Despite the complexities, baggage and sometimes missteps in our relationship with the region historically, the countries of the Americas look to us for so many things. They have modelled their constitutional systems on ours, and they use the U.S. as a barometer for social and political change for their own societies. This is no less true regarding the state of U.S. democracy. Whatever happens to our democracy, including to our institutions and certainly to our freedoms, will likely be reflected and even amplified in the region as a whole. We have all heard that when the U.S. catches a cold, the region catches something far worse. As U.S. democracy is tested, the Americas will be watching closely.

Thank you.

Mr. DUNCAN. I want to thank the witnesses, and I am pleased that there are several regional Ambassadors in attendance today.

If you're an Ambassador from a Latin American country, if you could raise your hand and be recognized.

All right. Thank you. Thank you all for attending.

So I will now recognize myself for 5 minutes and then we will go through the order between majority and minority side. And so I will put the same clock on me as I did you guys but I may not adhere as strongly to it as I did you.

Ms. Yearwood, since Congress passed the Caribbean strategy legislation late last year, and given our continued focus on the best way forward in dealing with the thorny issues of corruption, lawlessness, and migration in the Northern Triangle countries—El Salvador, Guatemala and Honduras—what do you see as the best strategies for engagement in the hemisphere? Kind of elaborate on some of your opening statement as well.

Ms. YEARWOOD. Thank you for the opportunity to talk a little bit more about 4939. Forty-nine thirty-nine is kind of a little bit unique insofar as there is no money attached to the bill but what it does is it creates a vehicle for regional engagement with the United States and I think, according to some of the other statements from the—from the witnesses, the need for having this engagement, particularly, as I mentioned, 22 of the 35 countries—independent nations in the region are in that—in the Caribbean and Central America—having the ability to dialogue with them and taking advantage of 4939 to create stakeholder dialogue where the U.S. is a partner with the region on these critical issues of corruption, economic development, diplomatic engagement, energy, being able to help pull away the influence of Petrocaribe, which I think is going to be important going forward, and finding ways for the region to advance as self-reliant and self-sustaining nations is going to be important.

So I think having vehicles both within the Caribbean and within Central America where the U.S. is engaging productively will be an excellent way to make that vehicle work with the region.

Mr. DUNCAN. Thank you. Shift gears a little bit.

Mr. Humire, I know you are an expert on security in the region and you have written extensively on the Iranian activity in the hemisphere. I have been engaged in that since I came.

A story broke this week in the Argentine press that exposed some of the tape recordings of Argentine prosecutor Alberto Nisman before his death where he seemed sure of the guilt of former Foreign Minister Timmerman and other top government officials in covering up the AMIA bombing.

And he is quoted as saying, "Although they want to kill me and take me out of the picture, that won't be a setback. Many/some of the involved already know and are pleading for their lives but all of them know what they did, what they said, and it is their problem."

So that was the words of Albert Nisman. Can you expand on this revelation and give us a sense of the status of the investigation into his death and also what he was working on with regard to AMIA?

Mr. HUMIRE. Mr. Chairman, in Argentina, related to the case of Alberto Nisman, there's actually three separate cases that are connected.

There is, obviously, the case of the AMIA bombing from 1994 that is still active. It is still around. It needs to be pursued in advance.

There is the case that he presented at the—Alberto Nisman presented before the Argentine courts about the criminal conspiracy between the former President, Christina Kirchner, and her complicitness with the Iranian Government to grant impunity to those accused of the AMIA bombing.

And, finally, there is the case on his death. Those three cases are currently active in the Argentine judiciary and I believe the most important case of the three is the middle one—the case that he presented before the court a week before his death to say that the Argentine Government was colluding with the Iranian Government to grant impunity.

That court—that case was all but thrown out of the courtroom in Argentina. Repeatedly it went through various appeal processes and we have an opportune moment in that some of the obstacles—the judicial obstacles that were presented in that court—in that case have been removed.

So that case is now active. The DAIA—the Jewish community—the sister of the AMIA has become a part of that case and so they can now present additional evidence.

I actually participated in examining a lot of the evidence that was involved in that case—the wiretaps that Nisman had presented as part of the evidence of making that accusation, and there is a lot more than what he was able to present.

Obviously, he was never able to present that because he was killed. Having that case open suggests that he was killed in the line of duty—that he was actively pursuing a judicial matter and then was found dead in his apartment shortly after.

The case on his death is also an opportune moment because now it has been graduated to a Federal court because of the preceding actions on the other case.

This presents a tremendous opportunity in advancement on the Macri administration to be able to help and lend support as needed and as requested to be able to come to a conclusion in either one of those two cases.

Having a conclusive judicial action in either one of those two cases can help us advance the AMIA, and at the end of the day that is what Alberto Nisman was trying to do.

He was trying to seek closure for the victims of the AMIA attack and to—and to pursue those that he believed that were behind that attack.

I think that's there is advancements on that. I think there are a lot of opportunities for the U.S. to help. But it is still—it is still in process.

Mr. DUNCAN. Do you have any sort of time line idea of when they may come to some conclusion on that?

Mr. HUMIRE. I would like to say that it would happen this year. I couldn't say that with any certainty, Mr. Chairman. But what I

will say is that there—if there is a time to advance the case it is now.

Last year, obviously, Macri was his first year as President. There was a lot of struggles and challenges to get one of those cases open and to get the other case moved to the Federal court. That was a very difficult obstacle. They've overcome those obstacles so now is the—now is the time to lend whatever support, whatever assistance is needed so that they can adjudicate these properly. There is still a lot of adversarial forces in the country that don't want to see these cases ever see the light of day, which is why you are seeing those wiretaps come and be leaked.

Mr. DUNCAN. But in your opinion, is the Macri government being very accommodating with the prosecutor?

Mr. HUMIRE. I believe that they are—the Macri administration is supportive to these cases. However, I believe there's more that could be done. I believe that if the U.S. Government——

Mr. DUNCAN. President Macri, I would say, campaigned on it—that it was part of his promise to get——

Mr. HUMIRE. Correct.

Mr. DUNCAN [continuing]. To the bottom of it, from what I understood.

Mr. HUMIRE. Correct. But I believe with the change of the administrations in the U.S.—I think in the past he might not have got a clear signal from the U.S. that they were very cooperative on this particular issue. It's not an issue that the U.S. would say that we were involved or had any stake in seeing the outcome or the resolution.

That might change, and if that were to change I think you would see a much more rapid advancement and the Macri administration would be—I think would welcome that change.

Mr. DUNCAN. Thank you. We went a little further into that than I anticipated. Let me just finish up with Mr. Cardenas.

You know, your role with the Bush administration—you have had a lot of experience. What are some of the other diplomatic tools other than the sanctions that we just recently saw with the Trump administration? What are the other diplomatic tools you might recommend that the Trump administration use toward Venezuela?

Mr. CARDENAS. Mr. Chairman, I believe that we need to take a good look at the energy relationship, and that is, of course, Venezuelan oil shipments to the United States.

I think that what I am talking about, of course, is really an expansion of targeted sanctions. Nobody is arguing for the type of wide application of economic sanctions that would only make the lives of individual Venezuelans even worse. But I think that within the realm of authorities that both Treasury and State Department have that we can do a lot more in terms of sending signals and creating disarray within the leadership of the Venezuelan Government, I can't imagine who wants to be the last Venezuelan sanctioned by the United States on behalf of a government that most Venezuelans have long ago lost any faith in.

I think that the diplomatic route is key, as my colleague, Mr. Quilter, stated within the Organization of American States. I think that the changed environment in the region presents some opportu-

nities that didn't exist before for other countries to get active on the Venezuela issue within the context of the—of the OAS.

Of course, we have a very spirited Secretary General, Luis Almagro, who is looking for diplomatic support. We, of course, as the United States, don't want to be out there bearhugging him with love. But we can, through our offices, our good offices around the region and here in Washington, work with these other governments to support Mr. Almagro in what he wants to accomplish on Venezuela.

So I guess the most fruitful avenues, I believe, that exist out there are continuing on the diplomatic regional approach—multilateral approach and then let us start looking at very, very—specifically at pressure points in the Venezuelan Government's economic wherewithal to start upping the pressure. Pressure, combined with the multilateral diplomacy, I believe, is the way to go and, frankly, we just did not see that for many years, including both administrations.

Mr. DUNCAN. I appreciate your frankness and I hope our subcommittee will bear with me because I am going to make Venezuela a focus of this subcommittee on what we can do for the people of Venezuela and end the oppression. And so we will have multiple hearings, I am sure, in this Congress on this.

With that, I will yield to the gentleman, Ranking Member, Mr. Sires, for as much time as he wants.

Mr. SIRES. Thank you, Mr. Chairman.

There is a newspaper report out today that the new budget looks to cut 37 percent of the State Department's budget. This is the—it just came out.

I was just wondering what you think the impact is going to do with our relationship to the region if this were to come to fruition.

Ms. YEARWOOD. Thank you, Mr. Sires.

I think Mr. Humire said it very well, in terms of working with the State Department and U.S. agencies in countries goes a long way toward helping identify and deal with threats as they occur and I think the State Department is the front line in the region when it comes to dealing with problems, when it comes to nurturing the relationships.

I think taking the State Department out of the equation creates a void. It means other countries would be able to step in and nurture relationships that the U.S. should be leading on, and so I would—I would strongly advocate against it.

Mr. SIRES. Mr. Humire.

Mr. HUMIRE. Yes, Mr. Sires. I believe, obviously, it will have a detrimental effect and any cuts—any budget cuts in a particular part of the world where the U.S. Government, particularly U.S. State Department, still struggles to have the level of engagement that they think they would wish to have, it will hurt.

But I think—and I lived also through the cuts in the Defense Department during the sequester that, obviously, then-General John Kelly, commander of SOUTHCOM, obviously complained a lot about because he didn't feel like he had the adequate resources to go after the threats.

But I think both of these cuts—there is a reality—a fiscal reality that as legislators you know very well. However, it is also a con-

sequence of priorities or lack of priorities and this is a point I just want to emphasize.

A lot of challenges we are addressing throughout the world are converging in Latin America, be it the aggressions or resurgence of Russia, the expansions and aggression of China, or the belligerence of Iran.

Those challenges are becoming closer to our shores in Latin America in places like Venezuela, and if our policy makers don't prioritize the region that's going to become a bigger problem.

That is going to become a bigger threat. Dealing with that requires money. It requires appropriations. It requires us to give our authorities the capabilities that they need to address it.

Mr. SIRES. Mr. Cardenas.

Mr. CARDENAS. Thank you, Mr. Sires.

As the chairman noted—Mr. Duncan noted, I did serve in the Bush 43 administration and both at the State Department and USAID.

So I have been in the belly of the beast and I have—I recall it was very, very shocking or, certainly, sobering to compare the resources that we had at our disposal with those that our colleagues in DoD had at their disposal. So that was—is an ongoing challenge.

But it—at the same time, there is waste, fraud, and abuse in any Federal bureaucracy that can be—that can be addressed, that more efficiency and better prioritization of objectives can be achieved. I think it has to be an effort, I think, whereby one has to be cognizant of a new environment whereby we have to be leaner and meaner.

Maybe it will not wind up where the President's opening bid established and the figure could result in a higher number. But I think that the bureaucracies involved need to be prepared for—to participate in leaner, meaner operations.

Mr. SIRES. Mr. Quilter.

Mr. QUILTER. The American people, apparently, believe that 25 percent of our budget goes to foreign aid. The number is less than 1 percent, as you know.

I think this would be penny-wise and pound foolish. Any cuts to the 150 account would be more expensive in the long run.

General Mattis himself said that if you—if you don't fully fund the State Department I think he said, I have to buy more ammunition, and I think that is absolutely right. Buying ammunition is much more expensive than fully funding the State Department. Thank you.

Mr. SIRES. And my topic that I always raise, you know, partners in the region long maligned the United States for its treatment of Cuba and used it as an excuse to stay silent.

Now that we have this opening and we have all this counter back and forth, what is the principal reason that these countries don't speak up about the human—the abuses in Cuba? I mean, it is well documented—human rights abuses, people getting beat up. Why is it that they don't speak up? I mean, they don't have to now worry about us. Mr. Cardenas.

Mr. CARDENAS. Mr. Sires, I have—as a long time student of U.S.-Cuba relations I do have some impressions, if I could share with you.

I think that in most cases in many of these countries they are afraid, domestically, of their own left. The left in Latin America is not like the left in this country.

The left movements, many of them having been widely infiltrated by Cuba, can be violent. They can be disruptive. And to push against Cuba, to speak out for the most humane topics that any American wouldn't think twice about, they remain reluctant for fear—for fear of the trouble that Cuba can cause in their own countries.

Mr. SIRES. Mr. Humire, would you agree with that?

Mr. HUMIRE. I do agree. Let me just add to that, it is also not a accident that you have seen this in particular countries because what the Cubans are very good at is working with host governments to be able to influence public opinion, and it is that center of gravity—public opinion—that we need to tackle to be able to get it more on the side of U.S. influence or U.S. activity.

In my written testimony, I examine public opinion polls through Latino Barometer, a respected Chilean polling firm, and what you see is a negative trend in favorable U.S. public opinion in 10 countries throughout the hemisphere.

Now, I am not going to say that Cubans are behind all of that, but they are definitely pushing that narrative. It is the ability to get a narrative, to grab a narrative, that helps solidify our ability to sell the U.S. as a legitimate partner in the region.

We don't have the narrative. The U.S. does a lot of good actions. The Defense Department does a lot of good. Whenever there's a humanitarian crisis they are some of the first people to respond. But that action isn't all of a sudden—that action isn't accompanied by a story, and it is those stories that need to be told to be able to push back against what the Cubans have done throughout the region.

Mr. SIRES. Thank you, Mr. Chairman.

Mr. DUNCAN. I thank the ranking member.

Now going back and forth, we are going to go to Mr. Rooney from Florida for 5 minutes.

Mr. ROONEY. This testimony has been a very thorough overview of what's going on in Latin America right now and I appreciate it.

I have spent a fair amount of time down there myself over the years. So I am trying to find a couple of things that haven't been mentioned yet to be productive.

So, Mr. Humire, if you could comment—the chairman commented on the role of Iran in the Nisman case in Argentina. If you could comment on the current activities of Iran in Venezuela and Nicaragua.

Mr. HUMIRE. Thank you, Mr. Rooney.

Iran—let me just start by saying that Iran, along with their proxy, Hezbollah, is present in every country in Latin America. In some cases they are more subterranean.

They are working out of an informal network. In other cases, such as Venezuela, they have a full seat at the table with the current government. The recent appointment of the current Venezuelan Vice President, Tareck El Aissami, to me was a clear indicator of the level of control and influence that Iran has in that country.

I have studied the Iranian presence in Venezuela for several years and it has graduated. It started as cultural presence, moved over to become a diplomatic presence with more economic engagement. It has now fully graduated into a military presence. The Iranian Revolutionary Guards, along with their subordinate elements through the Ministry of Defense and armed forces logistics, has complete presence and activities within Venezuela including territories that are not within control of the Venezuelan Government.

Tareck El Aissami was one of the individuals that controlled a lot of that network or at least was one of the—the man on the ground partners for Tehran in that activity. My understanding is that as the executive Vice President he's been granted executive powers that are essentially Presidential powers that can be used by Iran to foment more instability and conflict.

What I worry about with Venezuela—and think of this within the context of Syria—what are we dealing with Syria? We are dealing with a proxy conflict with many parties where the Iranians, the Russians, and other actors are essentially fomenting instability and violence so that they can engage the United States.

If you take that lens, that optic, and you apply that to Venezuela, you have the same actors. Obviously, not to the level that you see them in Syria, but the potential for that is there, especially with an individual like Tareck El Aissami at the helm. His connections with Damascus, with Russia, with Tehran could potentially create a conflict where the military gets into a war with the militias and that only benefits the folks in the Middle East.

Mr. ROONEY. I am glad you brought up about that because you know we know how from they fly in and out of there what kind of aircraft they use.

Similar to that, assuming that we don't get into a Cold War-Guatemala situation, Venezuela finally—we are in the final innings of an opportunity to put the 15 years of the Chavez-Maduro behind us—could you comment on what the impact to the smaller Caribbean countries is going to be with the end of Petrocaribe?

I don't know who would be the best for that. Maybe Ms. Yearwood would because she is the Central American expert.

Ms. YEARWOOD. Well, I mean, Venezuela, because of everything that is going on in Venezuela, obviously, Petrocaribe—the influence of Petrocaribe is waning and what we are seeing is the push toward greater energy diversity and sustainability in the region.

The U.S. is engaging in various programs throughout the Caribbean and Central America and basically the hope is that Petrocaribe will become a—not as influential at the—at the—at the end of the day. I think, given everything that's going on in Venezuela, we can expect to see the Petrocaribe program come to an end at some point in the not too distant future.

From a Caribbean perspective, for the countries that are a part of the Petrocaribe program, the important thing is that they are ready to deal with the move away from Petrocaribe, which I think opens a lot of opportunities for collaboration with the United States, and I referenced earlier the discovery of oil in Guyana, and the cooperation between Guyana and Trinidad and Tobago in terms of exploiting that opportunity. So——

Mr. ROONEY. Time for one more, Mr. Chairman?

Mr. DUNCAN. We have got time for one more.

Mr. ROONEY. One brief, and I'd like to ask Mr. Quilter and perhaps Mr. Cardenas about the Pacific Alliance. That is one thing that hadn't been mentioned here. And, you know, we have got four very important countries working together and looking west while we don't know sometimes where we are looking, right, and you both touched on some of those.

So maybe you could give us some comment on the negative aspects of that for the United States, and the positive aspects of that for Chile, Mexico, Colombia, and Peru vis-a-vis China and Asia.

Mr. QUILTER. The Pacific Alliance is an amazingly effective integration mechanism. Right now, trade is a bad word. We are sort of falling over ourselves trying to understand how it fits into our bigger picture. But that is precisely the kind of integration mechanism that we would need to work with. We need to work with it in some manner. The fact that the TPP is now off the table means that we need a new way to engage with that group because they are going to move without us. There is no doubt that they are going to move without us. And another thing we have to think about are opportunity costs of all these things.

So are we creating a strategic opportunity for China as we step back from these relationships? The same question really applies to Russia, although not as urgently, I believe.

Another opportunity cost, which was mentioned by the chairman which I would like to flag, is what we really should be talking about right now with Mexico is energy integration in this region.

We can do it. That is the next item on the agenda. We are just not getting to that item because we are talking about a bunch of other things that I think we should have left behind.

Mr. CARDENAS. Ambassador Rooney, if I could just add to Peter's comments. The Pacific Alliance is something that was an achievement of U.S. foreign policy, an objective policy that has spanned Democratic and Republican administrations that is advocating on behalf of trade integration, open economies, free trade, and now that we have this entity that is borne of itself—it wasn't like the United States came and put them together. They, unilaterally, came together. But it was after many years of things that we had pushed for, bipartisan support in the region.

So I think that we have to quickly figure out what our approach is going to be. President Trump has been very clear on his points about multilateral agreements. But he is for bilateral agreements. So we have to figure out how this all fits together.

Mr. DUNCAN. I thank the gentleman. Just I hope—you know, 5 weeks into this I hope energy is a part of the conversation as NAFTA is renegotiated.

We do know with natural gas pipelines, with constitutional changes in Mexico with regard to nationalization—denationalization of the energy sector, there's a lot of opportunity with Mexico that I think ought to be on the table, and I can promise you I will be conversing with the Trump administration on energy policy and with regard to Western Hemisphere countries because I think there is—I used to talk about American energy independence and I broadened that to North American energy independence.

Now I broaden that to hemispheric energy independence where we can work with our allies here that are hungry for energy, hungry for American technology. There is just a heck of a lot of opportunity here—bilateral opportunity in so many ways.

So with that, I will go to the gentlelady from Illinois, Ms. Kelly, and for 5 minutes.

Ms. KELLY. Thank you, Mr. Chair.

At the community of Latin American and Caribbean states summoned on January 25th, President Castro expressed Cuba's willingness to continue negotiating a bilateral agreement with the U.S. President Trump has continually repeated his America first mantra about creating jobs and increasing exports. Lifting the embargo would open up a new market for American companies and the potential to add $366 million annually in U.S. exports.

In Illinois alone, which I represent, the removal of U.S. travel and financial restrictions would increase Illinois agricultural exports to Cuba by $6.6 million annually.

In my opinion, expanding trade opportunities for American farmers is putting America first. Given the economic benefits and regional support for lifting the outdated Cuban embargo, what are the next steps that Congress and the Trump administration should consider?

And also, how should we balance trying to bring opportunity to the Cuban people without emboldening the Castro regime?

And if we could start with Mr. Cardenas and Mr. Quilter.

Mr. CARDENAS. Thank you, Congresswoman.

I would say that opportunities—unfortunately, what I have seen over the last 2 years is the Cuban Government taking advantage of the very generous outreach of the Obama administration to put the past history behind us, and to move forward in a cooperative manner for the benefit of the Cuban people, has resulted in the Castro regime manipulating and using those overtures to solidify its own control over the people.

And specifically, I would say that the Cuban military takeover of the Cuban tourism industry—the hotels, the restaurants and other institutions—means that this has translated into a windfall—a financial windfall for the government at the expense of the people.

I have seen very little true market openings whereby Cubans truly have the freedom to open businesses, to conduct them as they see fit without fear of the government deciding that they are making too much money.

So I would find ways to review the relationship with more stipulations, more conditionality on benefits for the Cuban people, rather than simply this open-ended new path that was opened up by President Obama that doesn't account, or doesn't demand or expect any reciprocal action from the Cuban Government.

Mr. QUILTER. I would agree that a metric here is benefit to the Cuban people. I think that is absolutely correct. I don't think lifting the embargo is on the table. I don't think there are votes for it right now.

I do not believe we need to go any farther than what President Obama has done for now. My take on the changes that President Obama made are a little bit different and I see them as things inherent to us as Americans and that is a part of it that sometimes

gets lost in the discussion. It is not only a foreign policy move to give Americans back their rights to travel, to engage in commerce, to help their families in Cuba if they have them, et cetera. But all through this we must keep our compass true. This is about democracy. This is about human rights. It is about fugitives from justice, as Mr. Sires knows well—something very close to his heart. That should still be the north of our relationship with Cuba. That should not change.

Mr. DUNCAN. Gentlelady's time has expired.

I am going to go ahead to Ms. Torres and I am going to ask if you could just limit your to maybe one good question because they have called votes. And then I will move on to your colleague and just allow the new members to ask. Ms. Torres.

Ms. TORRES. Great. Thank you so much for the opportunity to participate. It has been quite interesting hearing all the different perspectives.

I am new to the Western Hemisphere Subcommittee, new to Foreign Affairs Committee. But the work in, certainly, the Northern Triangle is not new to me.

I am very, very involved in addressing the issues, specifically the issues of government corruption and ensuring that the U.S. is not just throwing good money after, you know, good money—it is all our taxpayers' dollars—but ensuring that once our work there is done we leave a government, you know, that—with a traditional process that actually works for the people.

You know, my goal is that the next Norma Torres will have an opportunity to be a Member of Congress in Guatemala and not have to be sent to live with a, you know, a relative in the U.S. because it was too dangerous for her to grow up there.

On the issue of Mexico, I am from California. Mexico is our number-one trading partner. Mr. Quilter, I really appreciate your comments. Diplomatic engagement, I absolutely agree, is the key to solving some of our problems. A lot of the problems have been created with this new administration, I believe, in my opinion.

Some of the very loose comments that have been stated by this administration have certainly hurt us there. We don't have an Ambassador to help clean up some of the mess that we have created there and that poses a problem, not just to all of the states that trade, you know, with Mexico.

On the issue of weapons, I am curious to know as to what more—what policies could be effective to help stem the tide of guns across the border into Mexico.

I have to go back to some of the comments. I think it was your comment that stated that Mexico has fortified their borders and even within Central America. They used to have sort of a brotherhood. There were no borders. You know, people from the region can travel across. That is no longer, you know, what is happening there. People are stopped.

Ninety-seven percent of the migrants that are—that cross to the Mexico border are sent right back to their home countries without refugee status. So what more can we do to ensure that we don't destabilize Mexico as we have done in some of the areas—other areas where we have no business conducting ourselves the way we have been in the past?

Mr. QUILTER. Very quickly—thank you very much for your letter of February 27th on Mexico. I think it is a wonderful letter. It was great to see it.

On guns, lost a little bit in the—in the trip right now of Secretary Tillerson was that he brought up the issue of guns and bulk cash, which is, of course, what the Mexicans want out of the other side of the drug equation—just that specific item.

This has been on the table for a long time. We have just never—we have just never really gone there. We need a strategy. We have the smarts to do it. We have State. We have ICE. We have ATF and we have ONDCP, which is really good on the numbers. We need to engage them all on that. To do it, we need better information. We need better reporting. We need better transparency about the guns.

We need a very good record of what guns are eventually found down in Mexico, where do they end up, where are they recovered and what for. Those are the kinds of things we need.

Ms. TORRES. Is it true 70 percent of those weapons found in Mexico are—you know, have a U.S. point of origin?

Mr. QUILTER. Yes, and we need to make sure our numbers are really good because we have these discussions about whether it is really 70 percent or some number that is smaller.

Honestly, it doesn't matter. These numbers are way too big. So we need—but we need good numbers.

Ms. TORRES. On the issue of Central America, congratulations, Mr. Chairman and Ranking Member. I think, you know, you have been around for a while and the work they have done with Plan Colombia has been wonderful.

But what lessons learned from Plan Colombia can we apply to the Northern Triangle? I truly believe that we have sort of done such a great job in Colombia that a lot of the drug cartels have moved north to the region and are the cause—part of the cause of what has happened in the Northern Triangle specifically.

Mr. CARDENAS. I would just, very quickly, think that—say that the essential lesson is political leadership in the region.

We have to find, frankly, three or four President Uribes among the Northern Triangle countries—somebody who is willing to go against vested interests.

As you noted, Congresswoman, the narcos and the gangs have so permeated these societies that you don't know who is dirty and who is clean. But you can find out and there are ways to find out. We need to help them expose the insidious infiltration of the narco traffickers and they need to be rounded up and we need to, as I briefly stated in my testimony, the twin evils of corruption and impunity—we need to push and stand behind and help those administrations counter those evils within those societies in order to make real progress against the narco traffickers.

Ms. TORRES. I agree with that. I just—I disagree that security should be our only point of business there. I also believe that ensuring that we are supportive of CSIG or MOXI continues to be a priority for us and ensuring that educational opportunities for the future leaders of these countries, that there is an investment outside of military training or police training in the region.

Mr. HUMIRE. Mr. Chairman, if I can just really quickly address.

Mr. DUNCAN. Quickly, please.

Mr. HUMIRE. Congresswoman, just to—just to encapsulate Central America so you understand, to deal with the insecurity situation there—and I do a lot with the Department of Defense on countering transnational organized crime—there has to be an economic solution as well. The idea of doing security measures without doing any type of economic empowerment or economic trade is not going to work.

If you look at the crisis in El Salvador, if you overlay—just a small anecdote—if you overlay where all the gangs have greater control or were given territories in El Salvador and you overlay that with where they have lack of property rights, it is the same territories.

So essentially what I am saying is we have to understand what are the drivers of economic growth and if you look at the drivers of economic growth they are mostly economic freedom, and I think that's where we have to go.

Mr. DUNCAN. I hate to do it. There is less than 5 minutes on the clock for votes that they have called.

Members of the subcommittee can submit their questions for the record. We would ask that you respond to those so that members can have their question asked.

I apologize, I don't have the vote schedule. But I want to appreciate the participation and, Mr. Espaillat, I will make it up to you in a future committee hearing.

Before we adjourn, I want to give a special thanks to James Randaccio, our current Western Hemisphere Subcommittee intern. James has been a real asset to the subcommittee. We've been happy to have his significant contributions to our team.

We have got a great staff on the minority and majority sides. Look forward to working with you. I thank the witnesses and with that we will stand adjourned.

[Whereupon, at 3:54 p.m., the subcommittee was adjourned.]

APPENDIX

Material Submitted for the Record

SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128

Subcommittee on the Western Hemisphere
Jeff Duncan (R-SC), Chairman

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, to be held by the Subcommittee on the Western Hemisphere in Room 2200 of the Rayburn House Office Building (and available live on the Committee website at http://www.ForeignAffairs.house.gov):

DATE: Tuesday, February 28, 2017

TIME: 2:00 p.m.

SUBJECT: Issues and Opportunities in the Western Hemisphere

WITNESSES: Ms. Sally Yearwood
Executive Director
Caribbean-Central American Action

Mr. Joseph M. Humire
Executive Director
Center for a Secure Free Society

Mr. Jose Cardenas
(Former Acting Assistant Administrator, Bureau for Latin America and the Caribbean, U.S. Agency for International Development)

Mr. Peter Quilter
Non-Resident Senior Fellow
Ash Center for Democratic Governance and Innovation
John F. Kennedy School of Government
Harvard University

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON *Western Hemisphere* HEARING

Day *Tuesday* **Date** *February 28, 2017* **Room** *2200*

Starting Time *2:00 p.m.* **Ending Time** *3:54 p.m.*

Recesses [ ] (____to ____) (____to ____) (____to ____) (____to ____) (____to ____) (____to ____)

Presiding Member(s)

Chairman Jeff Duncan

Check all of the following that apply:

Open Session [✓]
Executive (closed) Session [ ]
Televised [✓]

Electronically Recorded (taped) [✓]
Stenographic Record [✓]

TITLE OF HEARING:

"Issues and Opportunities in the Western Hemisphere"

SUBCOMMITTEE MEMBERS PRESENT:

Ranking Member Albio Sires, Rep. Ileana Ros-Lehtinen, Rep. Francis Rooney, Rep. Norma Torres, Rep. Adriano Espaillat, Rep. Gregory Meeks

NON-SUBCOMMITTEE MEMBERS PRESENT: *(Mark with an * if they are not members of full committee.)*

n/a

HEARING WITNESSES: Same as meeting notice attached? Yes [✓] **No** [ ]
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

Questions for the Record for all witnesses from Rep. Meeks

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *3:54 p.m.*

Subcommittee Staff Associate